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Hearings. V. 38-40, 1955.

1958



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ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

OTTAWA, ONTARIO

FEBRUARY 28, 1956

VOLUME 38

Tuesday, February 28, 1956.

The commission resumed its Ottawa
Sittings at 9:30 a.m.

APPEARANCES:

Canadian Federation of Mayors and
Municipalities.

Mayor J. David Stewart, Charlottetown,
Prince Edward Island,
President of the Federation.

Mayor Edward Wilson, Verdun, Quebec,
Honorary Treasurer of the Federation.

Mr. George S. Mooney,
Executive Director.

Mr. J.A. Barclay.

Mr. H. Carl Goldenberg, Q.C.

Mr. Walter Herbert.

THE CHAIRMAN: Shall we get under-
way? We will label your very excellent submission
Exhibit 217, Mr. Stewart, and I think we might as
well start in.

MR. STEWART: Mr. Chairman and
gentlemen, many, many lengthy briefs ago, many
great houses ago, in the birthplace of confederat-
ion, I made a promise that I would be back with a
lengthier brief than the one I presented at
that time. It gives me very much pleasure
to be here this morning to present on behalf
of the Canadian Federation of Mayors our
submission to your royal commission. We wish to

thank you for the privilege of meeting with us here this morning and offering our presentation.

I think at this time it might be well for me to mention to you that the Canadian Federation of Mayors and Municipalities represents municipal government in Canada today from coast to coast. I think I might also mention that municipal government represents 60 per cent of our population in Canada today, and to my mind is possibly the most important level of government of the three. I think we are closer to the Canadian public and do more in a tangible way for the individual taxpayer. We are also closer to him, as close as his telephone, which from time to time is quite embarrassing to those of us in municipal government in this country.

We have endeavoured to portray in a comprehensive manner the nature and extent of the more important problems which will confront municipal governments of Canada during the next 25 years. I think that our largest problem is that of finance. I have used an expression before and I think I might use it again, that the great number of municipal governments in Canada today are haunted by the past and terrified of the future.

Speaking financially, we are trying to point out this morning where we are going within the next 25 years. We do not know possibly how we are going to pay for

the trip. We have outlined some broad avenues to the final result or to the answer to that financial problem, and I think that Mr. Goldenberg can elaborate on that particular section this morning as we proceed.

The decision to prepare this brief was in answer to a request from your chairman who was kind enough to come and speak to our convention at Edmonton last fall. At that time Mr. Gordon outlined some of the matters affecting urban growth and development which he hoped the federation would study and make a report upon to the commission. This submission in effect is an attempt to answer or at any rate throw some light upon the matters or upon most of the questions raised by Mr. Gordon at that conference in Edmonton.

Now, this submission is the work of many persons, but the major credit must go to our executive director, Mr. George Mooney. Mr. Mooney has been connected with our federation since its birth. Our national executive and our president may come and go but Mr. Mooney seemingly goes on forever. He has done an excellent job, in my opinion, in this brief and I think that through time it will prove a bible to municipal government in this country as we go through the next 25 years.

Now, for your information gentlemen, those who took part in the preparation

of the brief are as follows:

Dr. A.E. Berry, Department of
Health, Province of Ontario;

Mr. J.A. Barclay, Dominion
Bureau of Statistics;

Professor Keith Callard,
Department of Economics, McGill
University;

Mr. H. Carl Goldenberg, Lawyer
and Economist and authority on
municipal and provincial taxation
problems coast to coast, Newfoundland
and British Columbia.

Mr. Eric Hardy, Executive Director,
Citizens Research Institute of
Canada;

Mr. Walter B. Herbert, Executive
Director, Canada Foundation;

Dr. M.E. Lazerta, Former Dean of
Education, University of Alberta,
and authority on education and
school requirements;

Mr. David B. Mansur, Former
President, Central Mortgage and
Housing Corporation, President,
Toronto Consolidated Development
Corporation;

Dr. Huet Massue, Economist,
Shawinigan Power and Water
Corporation;

Mr. George S. Mooney, Executive
Director, Canadian Federation of
Mayors and Municipalities;

Mr. Thomas Plunkett, Former Executive
Assistant, Canadian Federation of
Mayors and Municipalities, Town
Manager, Beaconsfield, Quebec;

Professor Harold Spence-Sales,
Director, School of Town
Planning, McGill University.

Now, gentlemen, it was aptly said
by one of our contributors yesterday that the
only axe we have to grind is that of the public.

We are attempting to picture to you the kind of problems, the scope and magnitude of the problems, urban-wise which we will be confronted with in the next 25 years.

The submission, as I have said, is the product of group thinking of people who are in a position to appraise municipal problems and trends, and to measure them against the anticipated growth and development of urban areas in the period ahead.

The national executive of the Federation of Mayors and Municipalities have had numerous meetings on this particular subject. We have picked the brains of the national executive, passing their thinking onto our contributors, and as a result have produced this brief. It is the hope of the federation that the large body of facts and arguments that are used in the interpretation of municipal requirements will be of substantial use to your royal commission in its most difficult task of forecasting and measuring the magnitude of Canada's economic prospects in the period ahead.

Now, gentlemen, I would ask Mr. Mooney to go over our summary, following which I would appreciate very much if you would ask any questions which we shall attempt to answer to the best of our ability. I now take great pleasure in presenting to you Mr. George Mooney

our executive director. Mr. Mooney.

MR. MOONEY: Mr. Chairman and members of the royal commission, the submission of the federation is summarized in the concluding chapter under the general heading "Summary", in which we have endeavoured to pick out the highlights of the different sections with a view to simplifying and synthesizing the general submission.

This task of endeavouring impartially to interpret the requirements and needs of our cities and towns, looking to the next quarter of a century, has not been an easy exercise, but as the president of the federation has indicated, we have endeavoured to bring together in this document those more important things that will confront municipal governments, and to interpret what we believe to be their significance and the measure of their magnitude and the scope of these very important problems. There are people who, looking forward a quarter of a century hence, have very interesting ideas on what kind of places our cities and towns are going to be, and in our summary we have endeavoured briefly to indicate that kind of an imaginative city which is being painted for us, a city with pushbutton gadgets everywhere, rubber conveyor belts to get you around downtown, wonderful new conceptions of city design and all the things that go with our hopes, I suppose,

of what the future may mean, but this study has not concerned itself with that kind of approach. We concede that we live in a new and advanced age of science and technology, and of course no one can quite say what the future will bring or whether the improbable actually is impossible. Our inquiry, however, is not to dramatize the possible technical and scientific achievements of the next quarter of a century, many of which undoubtedly will find application in urban design and urban living, but rather our aim has been to evaluate the magnitude of the task that awaits urban governments in the face of such developments -- particularly in the face of the indicated population growth and economic development of urban areas -- and to search out ways and means whereby the human and material resources which will be needed can be made available.

We have based our thinking and our submission upon three premises: first of all, by 1980 the population of Canada will be approximately 28 million, and that 75 per cent of the over-all population will be living and working in urban communities, and that the gross volume of productivity of the nation as a whole will be of the order of \$65 billion. If this forecast materializes then, during the next quarter of a century, the more basic social requirements which will have to be provided in

our cities and towns will be somewhat of the following proportions and diamensions: we envisage that during that period a house construction programme of some 3 million additional housing units involving a capital investment at current prices of some \$40 billion will have been constructed. The absorption of this amount of new housing will be the primary concern of municipal governments. Residential growth at 3 per cent per annum, or about 7 houses per thousand of population, is within the capacity of the average municipality to absorb on a continuing basis. This rate of housing growth will probably characterize the average community in the period ahead. The current rate of housing starts in our 15 largest communities, however, is about 12 per thousand of population and the prospects are that continuing demand will be of these proportions in these areas. The provision of the necessary municipal services and improvements which this volume of new housing will require will be an undertaking of large proportions. It is these larger growth communities that have had difficulty in absorbing a high level of new housing in recent years.

This anticipated growth in urban population is going to tax our school resources both physical plant and teaching staff to the utmost. In 1951-52 the enrolment in elementary

grades of Canada's publicly-controlled schools was 2,147,097. The prospects are that, by 1980, our elementary public school population will be of the order of 4,590,000 -- also, by that time, it is probable that enrolments in secondary schools will aggregate 900,000 pupils and that there will be 300,000 students in universities and colleges. In today's public elementary, secondary and post-secondary schools there are between 95,000 and 100,000 teachers. If pupil-teacher ratios remain unchanged this figure will be more than doubled by 1980. If the composite high schools and junior colleges expand (and this submission argues that they will) then the total teaching staff in our pre-university elementary and secondary schools of 1980 will be of the order of 215,000. School and curricular standards and teacher qualifications can be expected to rise during the period ahead with corresponding higher costs for education. If the standards and requirements envisaged are to be met, it is clear that dependence on local taxation resources will be wholly inadequate to meet the challenge of educational requirements which the period ahead confronts us with.

We included a section in our study on power because we believe that is an important aspect in terms of urban growth and development, and its availability is a criteria

upon which in a sense one can measure the industrial economic development of urban Canada. We point out the range of the present availability, measured in terms of the different sources of hydroelectric and other electrical energy resources, and on balance we indicate that powerwise it would appear that urban Canada is not in a bad way nor is it likely to be in the period we are covering within this submission.

Then, we get into the field of urban streets and highways. We point out of course the obvious that cities are like living organisms. They have their arteries. Their arteries are their streets and their highways. If these arteries are able to move people and goods freely within the urban system the urban system thrives and develops. If the arteries become clogged and congested and the movement of people and goods is slowed down the urban system slows down. Unless the cause of the congestion is rectified atrophy and decay sets in. We are all familiar with the cycle that develops when urban streets and highways are unable to handle the movement of people and goods which modern urban living requires.

Urban streets and highways are major municipal responsibilities and undertakings. Net municipal expenditures on roads, capital and current, grew with almost regular annual increments from \$27 million in 1933 to \$148

million in 1953. If we project that fairly constant curve into 1980 it suggests that annual spending on urban roads will be of the magnitude of \$1,000 million annually by that year.

This, however, would be a fallacious projection because municipal road expenditures never have been based on any rational, orderly scheme of development. Road expenditures during the next quarter of a century may be more or may be less than the statistical curve suggests. But whether less or more they will be of large proportions.

They will be of large proportions for these reasons:

1. Cities and towns will have grown and expanded to take in perhaps as much as twice the urban area as they now occupy. This suggests, on this account alone, a doubling of our present mileage of urban roads and streets.

2. Many of our existing streets need widening and related improvements. Most of our existing streets will need repaving and major repair during the period.

3. Per capita car ownership is rising at a rapid rate and within the next decade or so it can be expected that the theoretical saturation point of car ownership will have been reached. At present there are roughly four people

per motor vehicle in Canada, or approximately 4 million cars. By 1980, assuming that the saturation point of 1.5 persons per car has been reached, there will be some $18\frac{1}{2}$ million cars owned by 28 million Canadians of which some 15 million will be owned by 21 million Canadians living in cities and towns. The pressure for new and better urban streets and highways from this powerful section of taxpayers, virtually every adult Canadian, will put even higher demands on municipal governments to spend money on street improvements. The anticipated growth of urban population coupled with the unparalleled increase in motor vehicle usage will create urban street transportation problems of immense and staggering proportions during the next 25 years.

Urban public transit. Important as urban roads and streets are as transportation routes for private automotive traffic, more important is their role and function in relationship to the requirements of mass transportation, particularly in large metropolitan centres. The function and needs of both private and public transportation media in urban areas are in many respects similar but the priority of function and need must be accorded to the requirements of our public transit systems.

Urban transit systems everywhere are facing a crisis. Public policy with respect

to their requirements has relegated them into a position where they are losing out in the competition with the private automobile for unhampered and free moving road space on our large city streets. In order to provide for the needs of rapid transit in congested urban areas -- and there is a growing recognition that public transit facilities must continue as the principal media of transportation in large cities -- there should be a complete segregation of private automotive traffic from public transit vehicles. This means exclusive "rights-of-way" for urban transit either underground, overhead, or on the surface. And, if the latter, without cross-traffic impediments.

This will call for large capital expenditure programs far beyond the capacity of transit systems to provide from their own revenue resources based on present fare schedules. Nor is it likely that transit fares can be increased to the point where transit revenues can absorb the high costs of the major capital expenditures which seem to be called for. It is highly probable, therefore, that capital subsidies will have to be made available to transit systems in the larger cities where "underground" or "overhead" solutions may be the only feasible way to provide modern rapid transportation facilities. In cities where a less costly "surface" solution is feasible --

providing public transit is accorded that priority of consideration and freedom of movement which it requires -- it should be possible for it to operate efficiently and pay its own way.

The whole of virtually the matter of water and sewers is a very major item in the municipal body of expenditures and responsibilities. The future of urban development is closely interwoven with the adequacy of water works and sewer systems. No community can expand or hope to prosper without these basic public services. Health, residential and industrial growth, and the conservation of both life and property in urban communities, are severely dependent on water supply and environmental sanitation.

In planning for future urban needs it will be necessary to provide fully for public water and sewage works. Some of the problems entailed include the following.

The anticipated increase in population in the next quarter of a century will bring a daily demand for about $2\frac{1}{4}$ billion gallons of water from public systems, as compared with today's figure of less than one billion gallons. To this must be added high consumption figures for industrial plants not supplied from municipal water mains. The two figures will combine to bring a great

burden on our natural water resources.

Fortunately, the rainfall of Canada is adequate to meet a high demand for water. Unfortunately, however, the storage and regional distribution of water is not ideal in all areas. As population and industry extend inland from the major sources of water, means must be found for delivering water to these areas. This will require the construction of a great network of regional water mains in all parts of the country, including provision of facilities for water conservation and storage.

Provision of water for the future needs of any areas in Canada will call for a major change in public policy.

(1) It will require that provision be made for bringing water from a distance. This is a matter already under study, the commission is probably aware, in southwestern Ontario between Windsor and Hamilton. They are actually looking into the present water shortage difficulties.

(2) Likewise, conservation of rain fall will have to play a more important role in the provision of our future water supplies.

(3) As water use in municipalities becomes more critical, there will be competition for the same water from other groups. Agriculture, industry, power, recreation, and all users of

water may be expected to demand an equitable share of this resource.

The problem of the future water supplies of urban areas presents many complex aspects, none the least of which will be the high costs entailed in the municipal works that will be necessary. As water supplies become more expensive to develop and maintain, it follows that the consumer must expect to pay water rates commensurate with the costs of supplying this essential commodity.

If water is imperative for the existence of urban communities no less are the sewage works needed to maintain sanitation and to protect public health. Used water must be carried away, purified and made ready to use again with as little delay as possible. The circuit for water use goes on interminably, the same amount of water remains for all time. If maximum use is to be made of it, then it must be returned to service the greatest number of times each year. It is not feasible for the individual to do this. It must be a community project. The first step in the cleanliness of a community is its system of sewage. Among the related problems is the whole matter of pollution of our water sources. This is a growing menace and a major problem which will have to be attended to without delay.

Sewage work programmes for the

future will be a continuing task. Extensive planning and high expenditures will be required. The objective must be to provide these services to all urban areas and to insure that works will be built to provide treatment for all sewage and industrial waste. The elimination of septic tank systems, which has become common practice since the war in many areas, for private homes should be a foremost objective in the plans for urban areas in the future.

Certain it is that water supply is a first necessity for the very existence of urban life and sewage disposal is of no less importance. Water and sewage services will have a pronounced effect on future urban developments. They are necessary, not only to insure orderly progress, but even more so to protect the welfare of citizens who live in urban communities. The task of providing adequate modern water and sewage facilities in cities and towns in Canada for the period ahead is an undertaking of major proportions and one that will be very costly.

In the cultural and recreational phase of urban growth and development, and the requirements in both these important aspects of the life of Canada, on balance we are one of the backward countries. Our concern with and promotion of these matters to date has not been commensurate with our notable political and economic development. We have fewer material

cultural resources, concert halls, art galleries, symphony orchestras, etc., than have other countries of comparable development; while the public provision of recreation apparatus and facilities, parks, playgrounds, swimming pools, stadiums, etc., is below international averages.

Thus, when we consider our cultural and recreational needs for 1980 we must bear in mind that Canada is today at a deficiency level. It is therefore necessary to contemplate development in excess of merely keeping pace with the growth of population and the gross national product between 1956 and 1980.

The manner of meeting the recreational and cultural needs in urban areas will vary greatly according to the size of the community, in population and area; but the basic consideration should be that opportunities to enjoy and engage in cultural pursuits should be reasonably accessible to everyone in the community. There is a growing and insistent public demand for more recreational and cultural opportunities, a demand that will grow in intensity as more and more people, in all age groups, have more leisure hours in which to follow the pursuit of recreational and cultural interests. We are living in an age when people are looking more and more to "government" for social and welfare amenities and in such matters as recreational and cultural facilities

it will be the municipal governments to whom the people will turn to provide these facilities.

It appears likely, therefore, that in the period ahead Canadian municipalities will be deeply involved in the business of catering to cultural and recreational needs. The public will expect the expenditure of municipal funds in sums vastly greater than hitherto have been available. It is not enough to provide the physical facilities; they require men and women to perform the task involved in the use of those facilities. We point out that municipal government has become big business. If the forecasts envisaged by this study are any indication, it promises to be even bigger in future not only with respect to the money it collects, burrows and spends, but also with respect to the range and scope of its activities and responsibilities. The provision of a well-trained and competent work force to administer and operate the expanded municipal services which the future growth and development of urban Canada will require will be an undertaking of large proportions and of considerable significance to the future wellbeing of our urban communities.

At the present time, it is estimated that the total number of persons employed in the Canadian municipal public service is approximately 70,000. This works out

at approximately one municipal employee for every 128 urban residents. Using this formula to predicate future requirements, it is estimated that, by 1980, municipal governments in Canada (urban) will require some 164,000 employees.

The problem of recruiting and training staff across this country in municipal governments in these proportions is going to be difficult. It is going to be particularly difficult with respect to those positions in the municipal service that might be described as management posts. Heretofore it is this particular phase of municipal government administrative responsibility where municipal governments have had not too conspicuous success in recruiting, training and holding the type of high level employee that must be manned by and obtained for those key positions in municipal service.

Then, as we look forward to the future there are certain aspects of the administrative organization of municipal governments that should be looked into and which we believe will motivate themselves in the period ahead. Neither the organizational structure nor the climate in which civic organization is carried on alter very rapidly; nor is there much likelihood of any sudden shift in conditions. Governmental forms and processes develop slowly and there is nothing

presently apparent that suggests any startling changes in the basic structure of municipal government in the foreseeable future. We can expect, however, that there will be modifications and adaptations of its fundamental structure to the changing needs and requirements which rapid and expanding urban growth and development are demanding. Some of these modifications and adaptations will be of major significance.

Throughout Canada today there are some 4,200 self-governing municipalities, perhaps three times that number of local school boards and a whole host of other special purpose bodies. On the average, the populations they serve are small in number and their jurisdiction is confined within comparatively narrow geographical limits. The arrangement offers one obvious advantage. It makes it relatively easy for the elected representatives to determine the needs and desires of the citizens to whom they are responsible. But local government pays a heavy price for operating through a multiplicity of small units. It forces many of them to resort to the use of untrained part-time employees and prevents them from taking advantage of expensive but cost-saving and time-saving mechanical equipment. Even in larger jurisdictions key officials frequently serve in a double or triple capacity. Because they are

expected to have a diversity of skills, they are unlikely to be expertly trained for any part of their jobs. All this tends to inadequate and inefficient local government.

Another problem facing local governments is that existing municipal boundary lines are frequently out of line with the realities of the inter-related economic urban area. This is true in rural areas as well as in metropolitan centres. Still another problem is that of overlapping, and sometimes conflicting, jurisdictions of local government authority within urban areas. In some respects, municipal government is a house divided. The most apparent division is between general municipal and school services; but even in other fields there has been an increasing tendency to separate many aspects of local authority into distinctive semi-autonomous jurisdictions, such as urban transit, hospitals, park boards, etc. There is perhaps good reason for some of these activities to be administered "outside the city hall"; but it does lead to a multiplicity of frequently unrelated jurisdictions functioning within a single area and without sufficient appreciation that each is but a separate part of what is essentially a single undertaking, namely the inclusive administration and financing of local government services.

Perhaps the most vexing of all these problems is that of area boundaries. The

problem characterizes metropolitan centres, big and small cities, towns and villages, as well as rural communities. The boundary problem has been tackled seriously in at least half a dozen of the larger Canadian cities and in a considerable number of the smaller ones as well, but there is great need for a further consolidation of local units of government into more workable and more efficient administrative organizations.

The most notable development in the rationalization of the administrative organization of a large metropolitan area was the formation of the metropolitan federation linking the city of Toronto and its 12 immediate suburbs. Similar proposals have been made for other metropolitan areas across the country, but, as yet, nothing has come of them. In inter-dependent closely knit urban and rural areas much could be accomplished by establishing regional authorities.

New metropolitan or regional units of government would not replace existing units of local government, but would serve as a second tier of government for the co-ordination of particular services or aspects of such services within the larger area. This approach to the rationalization of local government in urban-rural areas may come to play an important part in providing the necessary

structural re-shaping of local government made necessary by the rapid upsurge in urbanization and the steadily increasing mobility of our population.

There is also need, particularly in larger towns and cities, to reorganize the internal departmental organization of local governments. There has been a trend of so-called council-manager form of government in Canada these recent years, but a similar objective can be reached by much less formal adjustments within the administrative staff of the city by placing a senior official probably in charge of one or more groups of departments for the purpose of co-ordinating the administration.

Another trend, and one which is likely to continue, has been the lengthening of the term of office for elected members of council. In most larger cities and in a growing number of smaller towns across the country the term for elected officers is now two years. In the larger cities in Quebec it is three years.

Local governments throughout Canada have given evidence of sufficient initiative and resourcefulness in the years since the war to inspire confidence in their ability to meet future problems of administrative organization. But in order to meet the larger problems which the future growth and development of urban communities will impose on local

governments, there is need for the kind of readjustments which have been indicated.

The matter of readjusting municipal boundaries to the economic and other inter-related realities of local areas and the integration of inter-area services is perhaps the most urgent need but, in many ways no less important is the necessity for municipal governments to reorganize their internal administration so that it can more effectively administer the ever widening field of local government responsibilities.

There is the general problem of urban growth problems, the fact that cities continue to mushroom out. During the decade 1941-1951, the physical growth of cities and towns was arresting. Many of the larger cities and towns doubled and some trebled in size; in smaller cities and towns growth extended about their built-up areas to an extent that population statistics do not accurately reveal. In larger cities and in metropolitan areas, extensive lateral expansion occurred and dispersed satellites began to emerge.

It is anticipated that similar and even more rapid growth will characterize the next two or three decades and that it will have far reaching effects on the whole future pattern of urban areas. Evidence of this is already apparent. Our larger metropolitan centres are in

the incipient stages of a new form of urban dispersal with numerous more or less self sufficient satellites developing in the region about them. Large cities are likely to assume quasi-metropolitan form with more positive attenuations and dependent satellites. And new towns will be built. There will be a similarity to the past; but, as a whole, the urban fabric of the country will acquire a basically different pattern of disposition and relationship. During the period, urban regions, now amorphously forming, will emerge as economic and, probably, administrative entities.

The control of urban development -- the shaping and forming of urban growth, the pattern of new and self-sufficient urban elements, the balance between urban and rural needs on a regional and even national scale -- will call for fresh attitudes, objectives and powers. A shift from purely local planning to regional planning, and regional planning in the sense of urban planning will, of necessity, have to take place.

It may, perhaps, be even desirable and necessary for some measure of national regional planning to emerge.

If this is the prospect or the nature of the trends which are developing, then five main problem-issues confront us:

(1) The new towns that will be built will have to be properly planned from the

outset;

(2) The urban expansion that will develop will require effective control of the peripheral growth of large urbanized areas as well as the control of the development taking place in surrounding satellite areas;

(3) Public policy will have to concern itself more and more with problems of urban renewal with a view to the lowering of inner urban density and the resuscitation of decayed and dilapidated areas;

(4) In order to attain a maximum of urban beautification, it will be necessary to reallocate the use of land in the centres of large cities with a view to blending the physical requirements of trade and commerce with the developing of civic and institutional entity and the cultural and other amenities of good urban living;

(5) In order to achieve a balance between urban and rural needs the growth of metropolitan regions must embrace the control and maintenance of areas reserved for agricultural activities and the fostering of agricultural development in these areas for the growing of perishable urban food supplies.

Viewed against this perspective, the contrast in purpose and dimensions as between the powers that municipalities at present are able to wield with respect to area planning and

land use control and those that they will need to have is vividly apparent. A total re-orientation in our thinking toward a more comprehensive and positive effort in directing urban growth and development will have to be made in which provincial and municipal interplay -- and perhaps federal -- may well be essential.

Changes in urban development that are likely to occur in Canada in the next 25 years present complex issues, the impact of which will have serious consequences for and mark a radical departure from our present ways of urban development and planning control. It is important that steps should be taken now to prepare for these changes.

In order to do so, some fact finding body, perhaps a royal commission, should be established to examine existing urban development, and evaluate the changes that are likely to take place, and to recommend legal, financial and administrative measures that will enable local and provincial and federal governments to ensure that, in the period ahead, urban development in Canada will advance in keeping with national aspirations and development.

Metropolitan growth problems. Already more urban than rural, Canada's population during the next quarter of a century will occur mainly in its cities and towns with the strong

likelihood that the trend toward high concentration in large cities will become even more marked. The areas of greater Montreal and greater Toronto now contain nearly 20 per cent of the people of Canada and this proportion is increasing. The prospect is for larger towns and larger cities and larger metropolitan areas which, in turn, will spread over into large surrounding metropolitan regions.

At a certain stage in the growth of a large urban area, new problems arise which smaller centres do not face. Beyond a given range of growth and expansion, the traditional pattern and framework of municipal organization and administration ceases to serve the new and larger requirements and a reassessment becomes necessary. The basic fabric of municipal government remains but now it must be re-adapted and remoulded to meet a new and changed situation.

The problem in larger cities is that the original unit of local government has not grown to conform with the extended territory that its economic area now embraces. In metropolitan areas, the problem takes on another angle. Here the difficulty is to achieve a balanced pattern of local units of government in the area, each capable of effective operation and, at the same time, establish a means whereby the over-all needs

of the area as a whole can be provided or co-ordinated.

The problem and needs of government in a metropolitan area are not easy to resolve. A solution may lie in the two-tier system of municipal organization which is the principle underlying the general scheme of metropolitan government recently adopted in Toronto; but, actually, there is no set scheme of metropolitan government, nor single plan of organization nor all embracing panacea which suits the requirements and meets the needs of all metropolitan areas. Each solution must be hammered out of local realities.

In addition to the problem of rationalizing government in metropolitan areas, there is the problem of what to do about the fringe areas adjoining metropolitan centres. Here, rural areas are fast succumbing to urban intrusion. Often the worst kind of development takes place without any effective local control and the situation cannot later be rectified. As a result serious problems arise which otherwise might have been avoided. Even beyond the fringe areas, the impact of metropolitan extension can be seen and felt.

In view of these unmistakable trends, it would seem desirable, looking to the future, for there to be set up in areas where these developments are taking place, some scheme

of over-all government for the metropolitan region as a whole. Such a region might well extend for 30 or 40 miles around the centre of a large city.

It is here that the big problems of the future are emerging. Communications, industrial locations, water supply and many other local issues have outstripped the traditional limits of municipal boundaries and conceptions of local government. Some measure and degree of "local" co-ordination over much wider regions has become desirable. In metropolitan areas it has become imperative. There is growing evidence that the larger metropolitan cities of Canada will progressively implement forms of metropolitan government for their area. The principle should be extended to embrace the economic region surrounding such centres.

Municipal finance requirements. The surge of Canada's growth in the next 25 years will be felt no more than in the council chambers of its local governments. Here lies the responsibility for providing the citizen with many of the community amenities and government services which most directly affect him. The possibility that the country's population will almost double in numbers by 1980 indicates a potential need, broadly speaking, for twice the volume of municipal services now provided. Urban municipalities require much more extensive

services than rural, and the proportion of urban to rural dwellers is relentlessly on the increase. The need and desire for municipal improvements therefore compounds itself even if all else stands still. These needs and desires can be measured, or at any rate estimated, in terms of municipal revenues and expenditures.

If local government services continue to be offered in future years on the present plane, with due allowances for increases and shifts in population and increased wealth and income, financial requirements to meet the situation will, by 1980, have reached \$3-1/3 billion for ordinary municipal purposes, of which only \$2-1/3 billion, or two-thirds, will be available from present tax fields and the remaining \$1,200,000,000, or one-third, must be obtained from other sources. In addition, the estimated capital expenditure of municipal governments, by 1980, will have reached the order of about \$1 1/2 billion annually.

The estimate of future ordinary municipal revenues and expenditures makes no allowance for the possibility of war, boom or depression, or for the more acceptable, though no more predictable, prospects of shifts of responsibilities as between one government and another, nor the possibility of additional tax fields being made available to municipal

governments. The assumption is that the status quo remains the same in all fields except for the growth factor.

The estimate of capital expenditure was made in the same way, although capital expenditure is more sensitive to economic changes and pressures and, therefore, is subject to more imponderables. Despite such imponderables the projection has some value. It means a growing need for capital funds on the part of local government for normal local improvements. It does not provide for major capital works, such as may be involved in major urban redevelopment and traffic schemes.

If our urban communities are to become modern model cities, replete with expressways and subways, and similar requirements calling for costly civic improvements and amenities, much more capital funds will be required than our estimate suggests. Moreover, maintenance and carrying charges for such projects will increase the yearly expenditures to be met from local sources of revenue. Some of the foreseeable expansion of municipal plant, such as utilities, may be self-supporting and, therefore, self-liquidating, but the original cost will, in most instances, have to be met from borrowed funds.

The magnitude of the finance requirements of municipal governments, by 1980,

may not add up precisely to the range indicated, but they certainly will be of these broad proportions.

Municipal finance and taxation -- problems and prospects. In 1871 less than 20 per cent of the Canadian population was urban; by 1951 the figure rose to more than 57 per cent; the forecast for 1980 is as high as 75 per cent. The implications in terms of prospective requirements for social capital and municipal services are clear and will be somewhat in the range of the magnitude we have indicated. The question is: will the financial resources of the municipalities be adequate to meet the requirements?

It is a striking fact that, despite the magnitude of increase in urban population and in the responsibilities of municipal government, the municipal tax base has remained relatively unchanged. In an era of major social and economic change which has witnessed the introduction of a variety of new taxes and the development to a very high degree of progressive taxation, the tax on real property continues to be by far the major source of municipal tax revenue. It produced 81 per cent of the total tax revenues of urban municipalities in 1953; it was also the principle source of municipal revenue at confederation.

Because of the relative inflexibility of the property tax and because of other vicissitudes affecting the general economy growing out of two world wars and a severe depression, all in the space of a few decades, municipal governments have been operating in what amounts to a financial "straight-jacket". They have been carried on but only at the expense of limiting basic services and deferring maintenance and construction of municipal plant. As a consequence, an enormous backlog of expenditures has been built up over the years. It was with this backlog that the municipalities entered the post-war period of population increase and economic expansion and it has continued to this day. Municipalities face the problem of financing not only the backlog of expenditures deferred during 15 years of depression and war, but also vast new expenditures on works and services required to meet an unprecedented rate of growth in urban population and economic activity. While real property tax revenues have risen consequent upon post-war urban growth, the rate of increase in the productivity of the tax still lags behind the rate of growth of the community and still limits the capacity of municipal governments to finance municipal services and facilities.

As far as can now be foreseen, the real property tax will continue to be the

mainstay of the municipal tax revenue structure. Because of the tendency of industry to locate in metropolitan areas and, in many cases, to concentrate in certain municipalities to the virtual exclusion of others, a situation has developed which suggests that, in order to spread the social costs of such facilities as schools, welfare and other services, the taxation of industrial property should be on a common region-wide or province-wide basis with all municipal governments in the area sharing in the revenue so produced on some equitable basis. This would have the effect of ironing out some of the inequities which the present local taxation of industry creates but it would not necessarily put more tax revenue into the collective pot of municipal governments. The aggregate revenue from the property tax on industrial property would remain pretty much the same whether it was on a local, regional or province wide basis. But even if such an arrangement produced more revenue in the aggregate to municipal governments there would still be a wide gap between the revenues municipal governments require and the revenues which, conceivably, the property tax in the aggregate and on all types of property is capable of producing.

In metropolitan areas, amalgamation or the establishment of joint

metropolitan services financed by taxation over the whole area offers an approach toward a solution by rationalizing the urban area of government or some of its principle functions.

But, here again, the end result would be more in the way of a reshuffling of area revenues rather than a production of new and additional municipal revenues. Such proposals, however, do have the merit of pointing to a greater uniformity in assessed valuation, uniform rates, the taxation of industrial plants on a comparable basis and the sharing of the benefits of industrialization by all municipalities in the area.

The real property tax may be improved in other ways and, more particularly, by raising assessment standards and practices. This is essential to its effectiveness since the tax is based on the assessed valuation of land and buildings. There is also the possibility of introducing a graduated tax rate on property values, a suggestion which has the merit of conforming to the principle of progressive taxation based on property values. While improvements in assessment and administration could enable municipalities to make more effective use of the real property tax, this will not solve the limitation arising from the fact that the tax does not respond to economic influence in the same way as do other

taxes and that its productivity increases at a slower rate than the growth of the community.

Municipalities have, therefore, been seeking new sources of revenue as well as relief from some responsibilities. Revenues from local business taxes and, in some cases, from the sales tax have helped reduce the dependence of urban municipalities on the real property tax; but the latter still accounts for the major portion of municipal tax revenue. The fact of the matter is that municipal governments have been unable to find new tax sources which, like the real estate tax, are both applicable to municipal administration and sufficiently productive for their needs.

Our analysis of municipal finance and taxation in Canada over the past 25 years shows that municipalities cannot be expected to finance on their existing tax base the responsibilities which will be forced upon them by the accelerated rate of growth forecast for the next 25 years. While they may be able to find some new taxes which can be locally administered, they are unlikely to be such as would yield any substantial revenue. The approach to the problem of municipal finance, therefore, should not be based on a prospective increase in municipal tax sources.

A more realistic approach would be to seek ways and means whereby the theory

of "parallel interests" might find larger application in the interrelated field of provincial and municipal government function and responsibilities. This more flexible approach permits collection of revenues by these governments better able to collect certain revenues and transmission of portions of the receipts to governments better able to carry out governmental activities in certain spheres.

The theory of parallel interest has already been effectively applied in inter-governmental relations in Canada on an increasing scale in recent years. Fiscal arrangements under the federal-provincial tax agreements, the paying of the costs of the trans-Canada highway; the sharing of old age assistance payments, disability pensions and unemployment relief costs, and the system of federal health grants, reflect the application of "parallel interests" in federal-provincial relations.

Looking to the future, the application of the theory of parallel interest as between provincial and municipal governments is the best hope in our view of resolving the difficult finance problem facing municipal governments. In a sense the theory has already found application in the "grants-in-aid" policies which different provincial governments have introduced during recent years. These are not gifts by the provinces to their municipalities.

Rather, they are partial compensation for the provision of services which are no longer of purely local concern but of province wide interest and importance. If municipalities are relieved of financial responsibilities for such services they will thus be in a better position to expand essential local services and to renew and increase municipal plant both to meet existing requirements and in anticipation of prospective growth.

In the final analysis, both current and capital expenditures of municipalities are determined by municipal revenues. In the absence of new productive taxes appropriate to municipal administration, the ability of urban municipal governments to meet the impact of the accelerated rate of growth which is forecast for the next 25 years will, of necessity, have to be largely determined by adjustments in provincial-municipal fiscal and policy relations with a view to balancing financial responsibility with financial capacity.

Conclusion. These, then, are some of the highlights which emerge from our examination of the problems and requirements of municipal governments in Canada looking to the next 25 years. The details are sketched in more fully in the different sections of the study.

Our examination has not covered

all phases of urban life and community growth. Limitation of both time and resources have compelled us to select merely those aspects which are of primary concern to municipal governments and which most directly impinge upon and affect their administrative and financial responsibilities. Primarily, the study has been an examination of the nature of our cities and towns and their municipal organization and its function and a projection of their problems, administrative and financial, into the emerging period ahead.

The problems facing municipal governments are very real and they are of the nature and magnitude revealed by this study. They suggest that while municipal matters, by and large, are under control and things are going along not too badly, there is strong evidence to indicate the need for a new and fresh look at the whole scheme of municipal government in Canada with a view to strengthening it for the immense tasks which local authorities will be called to perform in the future.

THE CHAIRMAN: Thank you very much, Mr. Mooney. Before starting the questions perhaps we might have a break and allow the smokers to have a smoke.

---Recess.

---After recess.

THE CHAIRMAN: I think we might start in asking some questions without any order of precedence. We may try to keep the order of the brief, though but not in any order of priority.

On page C-3 the statement is made:

"Experience over the last 30 years indicates that reasonable variation in mortgage interest rates is not an important factor."

That is, is not an important factor in house building over the last 30 years. What about the initial down payment; has that been of importance?

MR. MOONEY: We think so.

THE CHAIRMAN: More important than the rate?

MR. MOONEY: Yes. The federation has maintained a lively interest in house construction since the inception of the first National Housing Act, and our observation is that the down payment is a decisive factor with respect to houses. We have increasingly urged that that down payment be brought down to the minimum. As a matter of fact, we went on record before the banking and commerce committee a year ago saying that we thought the time had

come for the down payment to be looked upon as not being very significant. The important thing was the ability of the man to carry on.

THE CHAIRMAN: You would go so far as that?

MR. MOONEY: Yes.

THE CHAIRMAN: On the next page, toward the bottom you quite properly, it seems to me, point out that this business of forecasting is a pretty dangerous and uncertain occupation; but what you emphasize with reference to the 1931 and 1941 census perhaps makes it even more uncertain than this because I suppose they were very abnormal periods in both cases. Perhaps from here on it will not be quite so abnormal. We hope not.

At the end of the first paragraph on page C-9 you talk about prefabricated houses and you end up in this way:

"Rather, one can anticipate a continuation of traditional onsite construction with an increasing amount of pre cutting and all onsite prefabricating to reduce the 'hewing of wood'".

In Montreal the other day Mr. Hall of the Dominion Tar and Chemical Company suggested that in his view there would be an

increasing amount of what could be called prefabrication. He did not mean that whole houses would be brought along in sections and put up that way, but an increasing amount of the things that go into houses would be mass produced and a lot of assembling done in factories before being moved to the site. Would you go along with that?

MR. MOONEY: Yes, I would go along with that idea. When we use the word "prefabrication" here we use it in its pure sense.

THE CHAIRMAN: The whole thing.

MR. MOONEY: That whole concept, over estimated theoretically, commenced in the housing construction industry 20 years ago, and it has not proved itself, and there is little evidence to indicate that that concept of completely prefabricated mass assembled will continue to offer very much. We think it is definitely on the decline, but we would go along with the view that there will be a far greater amount of pre-assembly of housing units even to the extent of complete installation, prefabricating of a bathroom and of kitchen units, less work on the job and more work in terms of factory production of house unit parts.

THE CHAIRMAN: On page C-11 you talk about a prejudice against apartments

or multiple dwelling units. Would some of that prejudice be owing to the fact that builders have not provided enough ground floor, storage space for baby carriages and places for children to play and all that kind of thing. Would people live in apartments if there were more ground around the apartments for that purpose?

MR. MOONEY: Well, I think the view that Mr. Mansur took in reference to this aspect of the matter was that the getting away from the apartment concept of houses was a matter of taste and preference. You can see the apartment house playing a larger role than the dwelling house, playing a larger role in the future. I would think if you offered more amenities to family life in apartment house construction you might get more families living in apartments, but the modern apartments houses that we have been building on the whole have not been amenable to good family living in terms of bringing up children for the housewife.

THE CHAIRMAN: On the next page you refer to the fact that the small number of landlords represents an unfortunate situation. Is that a contradiction or is that just the fact? I would like you to explain it. Do we want more landlords and fewer home owners, or would be like to see more people in the landlord business.

MR. MOONEY: I think there is a need for landlords, of course. I think there is a particular need for the landlord group in large cities because of the nature of the migratory labour opportunities that there are in Canada. It would seem to be wise that there be always available in our urban centres a volume of housing available for rent that people that can go to live in for that particular period while they are getting adjusted, probably while they are buying a home or for the limited time they are living there. In the city of Montreal we have a very large mobile group of industrial workers. A workman might work, for instance, say in the Angus shops in Rosemount for three months. Later he may leave that job to work in the Northern Electric, and if he is stuck with a house in Rosemount he has complicated his whole living problems in transportation and in many other ways. I would think that in the large cities there are definitely needs for housing available for rent under a landlord group. I think there is much to be said socially for the idea that people should own their own homes, and the trend certainly since the end of the war has been toward home ownership as against rental housing.

THE CHAIRMAN: On the rental question, would you like to explain your views

a bit on the clearance of depressed areas and the construction of low rental housing? How do you think that should be done if it should be done? We expect to get some views from Dr. Bates of the Central Mortgage and Housing Corporation on this question but I think your views would be very helpful to us.

MR. MOONEY: Yes. There is no doubt at all that there continues to be right across the country in all our large cities and in our smaller towns, too, a considerable amount of housing that is obsolescent. Quite a portion of that is beyond obsolescence; it is completely slum property. I think it is socially desirable to remove that slum property and to rehouse the people. The people who are living in slum housing cannot afford an economic rent. Generally speaking, they are there because that is the ability of their paying capacity. Because there is a considerable amount of obsolescent housing in our cities and towns, and because there is a small portion but at least a substantial portion of the urban communities which cannot afford the cost of modern housing, the municipal governments of this country by and large should have available the resources to carry out public programme involving slum clearance. A good deal of this ~~obsolescent~~ property in our cities, however, is in areas which not necessarily should continue

to be housing areas. It seems to me that the National Housing Act, the proposed amendment to it this year which would make available money to clear that land and do away with slum property in downtown sections of our cities for the purpose of reusing it for commercial and other purposes against housing, providing that housing for the displaced persons is at the same time made available is a very important step forward in the facilities that we need in this country to replace obsolescent housing with modern minimum standard housing.

We do not believe that this is primarily the responsibility of the municipal governments. The facilities made available under the National Housing Act in the three way participation as between the federal, provincial and municipal governments, or conversely between the federal and municipal governments with provincial concurrence, we think that measures of this sort are necessary, and that through the financial means available a large programme of slum clearance and re-housing, based on public housing, could be carried on and should be carried on in the country. But measured against the total housing requirements of the Canadian people it is not likely to be a large factor in the housing programme. It would be dramatic but not large.

THE CHAIRMAN: How will it be financed? I am not thinking of the original capital cost so much, but will it require subsidization? In the Regent park development in Toronto, for instance, rents are relatively high. When you think of a low rental housing project, I suppose you think of housing of people who cannot pay high rents. What is your view about the financing problem?

MR. MOONEY: If housing is to be made available to the group in the community who cannot afford economic rent, and if the actual economic rental costs are in the range of \$60 and more per month, then whatever the margin of difference between \$60 and there ability to pay must be met through one form of subsidy or another. Conceivably this could be done by variety of cumulative subsidies, beginning with probably a measure of tax relief on the part of your local government, for the housing unit. That might be a form of subsidy. Then there is land cost. This might be a subsidy over and above that. There will have to be a capital cost subsidy. Now, beyond those cumulative and unrelated types of subsidy if you are still unable to meet the economic costs of carrying the property, measured by the aggregate of income paid by those who occupy the property, probably there might have to be a subsidy in the form of rent subsidy.

THE CHAIRMAN: Do you believe that there is any substantial need for that kind of low rental housing in the principal cities?

MR. MOONEY: Yes, there is some need but it is not a major problem.

THE CHAIRMAN: It is not a major problem?

MR. MOONEY: No, not in terms of total housing requirements of the Canadian community, but it is an important aspect of our housing accommodation.

THE CHAIRMAN: Dealing with the requirements of the community as a whole, is it true that a substantial part of the new house building that has been going on in recent years has been essentially to meet the requirements of the comparatively well to do?

MR. MOONEY: Most of the housing since the end of the war, or a substantial part of the housing since the end of the war has been for the comparatively well to do.

THE CHAIRMAN: The reason I ask that is if that is the case and if the people who have been building these houses have been finding it reasonably -- I do not mean excessively but moderately -- profitable undertaking, and if there are not too many of them, which I suppose is the fact, what are the chances of the present housing boom coming to

an end a little more quickly than they might expect if there was any substantial downturn in conditions generally.

MR. MOONEY: I would think, from what I know of the national situation, particularly with reference to the house construction programme in the larger metropolitan cities across the country, that we have probably met the major requirements for housing on the part of, shall we say, the upper 25 per cent of the urban community. I do not envisage that the volume of house construction in the brackets \$25,000 to \$50,000 a year will continue much longer. It is dribbling out very fast now. There will still be for some time to come effective demand for housing in the brackets \$12,000 to \$25,000 cost. I would think that the demand will increasingly be down the scale toward near \$12,000 than \$25,000. That \$12,000 type of house is the kind of house that would be built 10 or 15 years ago for \$6,000 to \$7,500. There is still a great unmet need for that type of housing, and I would anticipate that for quite a while to come that lower range cost type of house of say from \$12,000 to \$15,000 will have an effective volume demand.

THE CHAIRMAN: What are the carrying charges on a \$12,000 to \$15,000 house, including the amortization, and so on? I am trying to think of the kind of income that

people require for a \$12,000 to \$15,000 house.

MR. MOONEY: I would think their annual income should be of the range \$3600 to \$4,000 per annum. That is what I meant when I said "comparatively well to do."

THE CHAIRMAN: I put my comparatively well to do much higher than that. I do not regard that as a comparatively well to do person today.

MR. MOONEY: Nor do I; but there are a lot of people whose incomes are considerably below that.

THE CHAIRMAN: Yes.

MR. MOONEY: And it is that group for whom there is this housing need.

THE CHAIRMAN: You think that the present demand for the \$12,000 to \$15,000 house is likely to continue for some considerable time?

MR. MOONEY: Yes, I do; it would be a continuing demand for it. One of the reasons -- and I come back to your earlier question -- one of the reasons is this: it is our feeling that the down payment is the real deterring factor on the part of -- to use your definition -- the comparatively well to do, \$3600 to \$4,000 per year income people. It is the deterring factor to their buying of their own home, and yet they are credit worthy people. We believe that the credit worthiness of a

person is just as important as his ability to put down \$1,000 or \$2,000 as the initial payment on the house.

MR. GRAUER: Yes, but there used to be a rule of thumb about the number of times the annual income you could afford to spend on a house. That is only $3\frac{1}{2}$ to 4 times a \$3600 income. Is there any rule of thumb these days, or has the consumer preference changed so much that you have to put automobiles and other things in with it.

MR. MOONEY: There may be a rule of thumb but I think it varies quite considerably according to your own thinking in respect to the matter. There is no doubt at all that the emergence of other types of consumer goods like the automobile, the tv and all the other beautiful things that are available, have become competitive now with a persons willingness and ability to finance his own home.

MR. GUSHUE: Is there not some provision in the legislation for low type rental houses that has not been used too much? The provinces and the federal government have not really got together on that?

MR. MOONEY: Yes; the National Housing Act provides financial resources whereby you can clear obsolescent housing and build new low rental housing, probably all the subsidy requirements that are needed.

MR. GUSHUE: They really have not got into their stride on the development?

MR. MOONEY: There has been some public resistance toward the idea of that type of housing. The provisions of the Act have not been used as extensively as it was estimated they would be, but they have been used in several cities across the country. The most outstanding example, of course, is the Regent park housing development that the chairman spoke about in Toronto.

MR. GUSHUE: I seem to remember the labour people when they were before us yesterday did not mention it other than in their brief. They thought that this could be much more widely used than it has. Have you had the necessary cooperation between the federal and provincial governments and, of course, the municipalities? Do you think there is some need for a change in that legislation?

MR. MOONEY: No.

MR. GUSHUE: You say there has been some resistance?

MR. MOONEY: Our view is that the National Housing Act legislation plus the amended legislation contemplated for this year would provide the Canadian people with as adequate provisions for financing the house construction programme as one could hope

to have. We have no major criticism with regard to its adequacy. We still feel the down payment might be lowered; we still feel probably something may be done to bring down interest rates a little bit, but we do not stress that as too important.

The problem with respect to low rental housing and slum clearance has not been because we have been without facilities to undertake the programme, but it has been largely because there has been public resistance in the cities across the country to the application and the utilization of the facilities.

MR. GRAUER: The question of subsidized rental, do you notice anything in this so called sifting down process taking place; that is, with the large number of houses that had been built, presumably other houses are coming on the market. Do you observe that trend?

MR. MOONEY: Yes, this process has been going on continuously.

MR. GRAUER: On the top of page 13 you say:

"We may see substantial quantities of public housing to create employment and, as a by product to improve social conditions."

The assumptions of the brief largely speaking are full employment; that is, a full employment economy. Should one read out of that statement that if the assumptions prove to be correct you would expect very little public housing?

MR. MOONEY: Yes; with one exception, and that is in some of our cities housing blight is so far advanced that there is a growing disposition on the part of those communities, even where there has been resistance hitherto to the idea of public housing to at any rate bring in some measure of public low rental housing. The best current example of that is the strong disposition on the part of a Montreal community to proceed with a quite substantial volume of slum clearance and rehousing and public low rental housing facilities under the National Housing Act.

MR. GRAUER: This is just a small point which appears on page 6, the fourth line from the bottom where the figures "1956 appear". I think you mean "1955" there, do you not?

MR. MOONEY: Yes, that should be 1955.

THE CHAIRMAN: Let me turn to page D-17 in the next section. A programme is put forward to enable the schools to do

their job. The first proposal is that educational opportunities should be equalized for all children to the greatest degree possible. Is that proposed on the provincial or the federal level?

MR. MOONEY: In brief, Mr. Chairman, it is proposed that it be on the national level but within the framework of our provincial set up across the country.

Obviously there probably would be some variation.

THE CHAIRMAN: The third proposal is that provincial grants to schools should be greatly increased, and so on. Should the schools be administered locally or at the provincial level? I ask this because we have had conflicting opinions presented to us on this subject.

MR. MOONEY: What do you mean by "administered"?

MR. GOLDENBERG: Do you mean abolish the local school boards?

THE CHAIRMAN: Pretty well; that was one suggestion that was made to us.

MR. GOLDENBERG: I do not think that is recommended in this brief?

THE CHAIRMAN: I would not think so.

MR. MOONEY: No. Our view would not go along that line.

THE CHAIRMAN: In dealing with the university problem you say in recommendation 5:

"The federal government should provide an adequate number of scholarships and bursaries for top-ranking university students, undergraduate and post-graduate, of all faculties. Students needs are great -- probably 50,000 awards of an average value of \$500 would be needed."

Do you feel that that would even begin to come close to handling the problem?

MR. MOONEY: It would begin. We are putting forward here what amounts to a proposal of principle and it may not quite meet what in fact is the need or the potential need, but we have nothing of that sort today.

MR. GUSHUE: You are thinking primarily from the standpoint of the student, not of the cost of administration.

MR. MOONEY: No.

THE CHAIRMAN: I am not the one who should be asking questions about education. I will leave it to the others.

MR. STEWART: Let me make a start, anyway. I am referring to section

D-3. There is a reference there to the anticipated proportion of the national income which would be expended on education in 1980. It seems to imply that it would be a lesser percentage. Does that seem a reasonable proposition? I know the point here is simply to indicate that we seem to be able to pay for education. Do you think it is reasonable, with an increasing national income and a per capita income, that our expenditures on education would be a smaller proportion?

MR. MOONEY: The intent of the submission, Dr. Stewart, is not to suggest that there should be any less of the national income spent on our educational and school requirements but more. If our figures suggest in fact it is less, then our figures should be revised proportionately. How much more is, of course, a question that is hard to determine; but we are suggesting throughout the submission with respect to school educational requirements that not only will they quantitatively be higher in terms of physical facilities and teacher requirements, but qualitative standards of education must be rising. If you are going to have those factors implemented, then the cost will obviously be greater proportionate to our total national income than presently we are

spending.

MR. STEWART: At the bottom of page D-5 there is a reference to certain states in the United States which require four years of teacher training before admission to elementary schools. Do you think that is a feasible proposition under our circumstances today and in the immediate future?

MR. MOONEY: Here again it may not be feasible; it is certainly desirable. In a general way the economic forces of the Canadian people lag somewhat behind those of the people of the United States; also our other social and cultural requirements and needs appear to lag. We believe that we are now in the process of bridging that lag and our hope would be that in the period in which we are submitting our ideas; that is, in the next 25 years, that even such lags as are evidenced in our teacher training qualifications will have been overcome and will be running along pretty well with that higher standard which the United States people appear to be able to make possible.

MR. STEWART: On page D-7 there is a table. Do you happen to know the type of district involved in districts A and B? Is one urban and the other rural? Perhaps you do not know.

MR. MOONEY: Actually I do not

know. I will be very glad to check that with Dr. Lazerte.

MR. STEWART: On page D-10, with reference to determination of the cost of an immediate programme there is a suggestion of setting up some kind of a body representing a great many different organizations. Are you recommending the establishment of bodies of this kind to advise the government or assist them in determining these things?

MR. MOONEY: The idea of going outside the narrow framework of the administrative school organizations to seek the advice and council of the broad community we think has validity, and our thesis here is that entirely apart from the departmental governmental structure of education as between provinces, municipalities and the local school board it would be useful and helpful if the point of view of the other constituent elements in the community were sought in reference to the whole educational requirements, needs, standards and so forth.

MR. STEWART: You are not sure that governments do obtain this advice or are sensitive to the thinking of these?

MR. MOONEY: This particular point of view and suggestion is in this submission as a result of Dr. Lazerte's study, as you know, of the Canadian school situation.

It seemed to him that this would be a useful adjunct to the general setup of determining school standards and facilitating school requirements. We believed that it had some merit.

MR. STEWART: Is there any consensus across the country on the question of the school board being separately elected, which makes requests on the municipality for its funds?

MR. MOONEY: By and large municipal governments are unhappy about the almost complete divorcement of the administration of local schools and the administration of the community. The city governments, the municipal governments, are required to collect the money needed by the schools, and almost universally have to pay a hundred cents whether or not they collect it. And if they have too little or no say whatsoever in the actual expenditure of these funds raised, in view of the federation discussion over the years, I would think it would be reflecting the viewpoint of the municipal governments to say that if some ways and means could be found to closer inter-relate local school boards with local city councils there would be probably a better working relationship than before to the mutual benefit of both.

MR. STEWART: What are the main

criticisms which the municipalities will have of the school boards which lead you to think that some other arrangement would be preferable?

MR. MOONEY: Their main criticism has to do with expenditure spent on capital account, actually. The expenditures made for schools across the country in the viewpoint of many municipal people, have been somewhat extravagant, bearing in mind that every community knows that they had to provide it, and yet these local authorities are themselves responsible for determining what their expenditures should be; and therefore they put forward their requirements and the municipal governments either have to raise that money for current account of the schools or stand behind their borrowings.

MR. STEWART: That is, it is the feeling of the municipalities that perhaps the same level of educational service could be provided at a somewhat reduced cost.

MR. MOONEY: This opinion is held by the municipal people.

MR. J. DAVID STEWART: I think the answer to that problem, Dr. Stewart, would be partially brought about by a closer collaboration and a closer co-operation between the municipal councils and the school boards. Then, there is a further answer. In most

cases the local school board is appointed, in the majority, by the city council, and if they do not adhere to the wishes of that council, they could be changed.

MR. STEWART: Do you say this is a common situation? Is it?

MR. J. DAVID STEWART: In a majority I would say.

MR. MOONEY: That is true in some provinces but not in most provinces.

MR. STEWART: There would be some merit in that?

MR. MOONEY: Yes.

MR. STEWART: You would think perhaps of a school board which consisted partly of elected members -- let us say basically of appointed members from the municipal council, perhaps some others elected or some others named.

MR. MOONEY: Ideally, because of the fact that the costs of schools are borne by the local taxpayer primarily, and because it is the responsibility of the city council, the municipal council, to raise the money and because in fact the city council has a wide purview and interest in the total affairs of the community and is the one instrument in the community that theoretically can co-ordinate the needs of the community, it would seem to us that it would be desirable that the city authorities be represented on local school boards.

They would be expected to bring to bear on the discussions and on the thinking and on the decisions of the local school boards the point of view of the local council.

MR. STEWART: Theoretically a place in the entire ensemble of the community.

THE CHAIRMAN: It is suggested that there should be equalization of standards at least within a province. How much of the total cost of schooling should be borne by the province either in the form of grants or in any other way.

MR. MOONEY: Well, that is an interesting question.

THE CHAIRMAN: It has been suggested to us that the whole cost should be assumed by the province, and only in that way can there be any hope of having equalization of standards. Would that be the view of most of the municipalities?

MR. MOONEY: I would think the view of most of the municipalities is that a larger share of the cost of education should be borne by the provincial authorities.

THE CHAIRMAN: What share is borne now?

MR. GOLDENBERG: There is no uniformity.

MR. MOONEY: It is by no means uniform. . . Quite a minor share is borne by

the province.

THE CHAIRMAN: If they had a larger share would not the provincial authorities want to have some control over the spending of the money?

MR. MOONEY: Well, indirectly they do it now in most instances. They do exercise a strong influence through their provincial departments on standards and qualifications.

THE CHAIRMAN: You have not got any uniform, considered view as to the share which would be appropriate for the provinces to bear of the total cost of education?

MR. MOONEY: We have gone on record as a national organization over the years with the general proposition that the cost of education and welfare should be borne primarily by the other levels of government.

THE CHAIRMAN: That covers both.

MR. MOONEY: We have never got to the point where we said the whole, or whether it should be 75 per cent or 25 per cent; but we believe that particularly with respect to the cost of education a larger share of the cost should be borne by the provincial governments.

MR. STEWART: On that point, if, as you apparently wish, the operation of education should be left with the local

governments, then the question of school costs becomes part of the whole problem of municipal financing. Now, when you talk about proportioning of the cost of education, do you then include this in the system of grants for particular purposes from the senior government to the municipality, so much for education, so much for this and so much for that, and based upon certain percentages? Is that the way the total problem should be worked out?

MR. MOONEY: We have no decided viewpoint on that, Dr. Stewart. We can imagine and envisage that it could be done by a system of direct grants in aid for specific purposes, or for general purposes in the field of education. Actually at this point we are less concerned how it should be done than that it should be done, and as we argue later in the brief, we believe that this would be probably one of those points of parallel interest, and increasingly the provincial government would share in the cost of the undertaking; but we are not disposed -- without trying to express a national and a municipal point of view -- we are not disposed as municipal governments to dissociate ourselves from the responsibility for the cost of education. The municipal governments recognize that they have a measure of responsibility. They believe that there is need to better integrate

particularly the financing costs of education within the framework of the so-called city government itself than presently exists because it bears the responsibility for raising the money and because it believes that the cost of education should be an appraised cost on the total of other costs and needs of the community which, generally speaking, is not so today. In a sense because of that in some respects the costs of physical plant, in so far as schools are concerned, in the viewpoint of many municipal people, has gotten a little bit out of hand.

THE CHAIRMAN: Mr. Mooney, Mr. Grauer suggests to me that rather than, as we are bound to, get involved in financial questions in connection with all these points that perhaps we might stop following the brief in detail and deal with certain financial questions one at a time. I would like to follow up what has just been said about financial responsibility for education by a question or two in other fields. It has been suggested to us that there should be a much clearer cut understanding and definition of responsibilities between the three levels of government. It has been suggested first, for instance, that the federal government should be responsible for unemployment insurance and relief; it has been suggested to us that the

provincial government should be responsible for social welfare costs and for hospitalization. Now, these proposals have been made to us by the mayors of some of the cities we have been sitting in. I wondered whether you have a view as to the desirability, or the necessity of some clear cut definitions of responsibilities.

MR. MOONEY: The federation would go along with these propositions. We must bear in mind that the federation now tries to give the national picture as against the provincial government or the purely local picture. Therefore our point of view tends to be shaded to bring in differences of opinion and the production of what we would regard as a composite average opinion. So far as unemployment relief is concerned we believe that this is essentially a federal government responsibility wholly and completely, unemployables and employables, and our stand has always been that.

So far as the costs of welfare and health measures are concerned, we believe this is primarily the responsibility of the federal and provincial governments; but where it is administered locally the municipal governments are prepared to share in the costs of its local administration.

THE CHAIRMAN: That includes hospitals?

MR. MOONEY: Wherever the municipalities are held to the local administration they are prepared to go along with local administration costs; but so far as the costs of the service itself, the money that is spent, whether under welfare relief, on hospital buildings and the provision of hospital facilities we hold that is the responsibility of the provincial and/or federal authorities. Where the municipal governments are brought into the picture ---

THE CHAIRMAN: When you say "provincial and/or federal authorities" you mean it is not yourselves?

MR. MOONEY: Yes, you may put it that way. We would not just put it that way. We would say we have a responsibility.

THE CHAIRMAN: I wondered why the federal government came into it.

MR. MOONEY: Take unemployment.

THE CHAIRMAN: That is easy.

MR. MOONEY: Take health. We would say that the provision of health and welfare service is a national responsibility but that the provinces ought to share in it, and in a broad way that is about the way it is done, to the extent that the two get together in these fields, but in terms of local welfare, which we believe is part of the national welfare requirements, we believe the municipal

governments responsibility is in the costs of its local administration.

MR. GRAUER: You use the word "administration". Are you differentiating the capital costs from the costs of operation?

MR. MOONEY: The local setup, the offices, the people who are employed. We believe these people should be integrated within the city government.

MR. GRAUER: What about the space, and all these other costs?

MR. MOONEY: We believe, that is a responsibility of the other elements of government.

MR. GRAUER: It is just the administration that you are talking about?

MR. STEWART: With regard to administration, are you thinking merely of the making of decisions with respect to particular services? What are the criteria which determines whether something should be administered in this sense of the term; that is, that it is in the general interest, decisions with regard to local situations should be made in the locality. What are the criteria?

MR. MOONEY: The administration, Dr. Stewart, as I have suggested in terms of municipal framework is where the provision for welfare services or health services or any

other services actually come in contact with the client; that is where welfare is rendered to the individual in the local community; that is rendering of that service at the local level which the municipal governments are disposed to go along with and say:

"We will take that responsibility over and we will pay for it at that point so far as its local administration is concerned. But where it involves our handing out money for welfare or the putting up of institutions for one social purpose or another, we believe that is the responsibility of other levels of government."

MR. GUSHUE: You are thinking of the operation of institutions?

MR. MOONEY: No; we will operate the local administration and provide the facilities.

MR. STEWART: Is unemployment a clear cut case of this criteria?

MR. MOONEY: Yes.

THE CHAIRMAN: On the subject of current revenues, it has been suggested to us that federal and provincial governments who do not pay, or to the extent that it is not done

already, should pay full taxes on their property within the municipal areas. Is that a view that is held generally?

MR. MOONEY: Yes. The municipal governments of this country have repeatedly gone on record and urged that both federal and provincial governments pay the going rate of local taxes based on the municipal assessment of their property.

THE CHAIRMAN: What about other taxes on properties, educational, charitable?

MR. MOONEY: That has not been a matter for national consideration, and broadly speaking I think the feeling is that institutions of education, religious institutions, churches, synagogues and appurtenances pertaining thereto should not be taxed.

MR. STEWART: Suppose the property taxes were applied only for those purposes which confer benefits on property, under those assumptions would you take the same position?

MR. MOONEY: For what?

MR. STEWART: With regard to non-taxable properties, if we could get the property tax down to the point where all that would have to be provided for were those services which had provided an immediate benefit to property and services to property, if we were down to that level, would you take a different position?

MR. MOONEY: No, we take the same position because the services that the municipal governments render, which are fundamental, pays its major sources of revenue, which is property tax, on the provision of streets, policing and fire. These things are rendered to provincial and federal people just in the same proportion as they are rendered to any other property.

MR. STEWART: I am sorry. I am thinking of the other property, educational property and so on.

MR. MOONEY: As to whether it would apply to these?

MR. STEWART: Yes.

MR. MOONEY: I would think we would still take the position on that point. If the municipality who imposes the tax rates were to tax the schools, we will say, we would be in this position. The local school in a sense is divorced from the local government of the municipality. If a tax was imposed on them, it would be only a matter of robbing Peter to pay Paul.

MR. STEWART: In a sense is it not a part of intelligent government that we know how much things are costing us? Would it not be wise to account for these things anyway?

MR. MOONEY: It would not be

difficult to compute that, Dr. Stewart, because all municipal financial statements show the amount of tax exempt property they are carrying, the evaluation of it and the amount of the mill rate on that portion would give you the amount of tax lost to the municipality that they were suffering upon tax exempt property.

MR. STEWART: Is this type of property charged with garbage disposal?

MR. MOONEY: Yes, although I may say at this point there is a growing tendency, and I think it is something which we will see emerge in Canadian cities and towns, to regard garbage disposal as a supplementary service for which there probably will be an extra charge made. There is a tendency in the United States already and it is finding some application here in our Canadian cities.

MR. STEWART: I have to pay it.

THE CHAIRMAN: It was also suggested to us by the mayor of at least one city that municipalities should be exempt from sales tax on their purchases. Do you feel strongly on that subject?

MR. MOONEY: Yes, we feel quite strongly on that subject, Mr. Chairman. We believe this is another instance where a burden is being added to the costs of local government, which in view of the general

difficult situation, financially speaking, that municipal governments are confronted with, that municipal governments might well be relieved of it.

THE CHAIRMAN: Another suggestion was made to us. It was pointed out that the property tax was introduced before the days of the automobile and that the automobile has been responsible for creating a good many of the problems that city authorities and municipal authorities have to deal with. It was suggested that municipal authorities must have more money, and if they were unable to get assistance to the extent needed from other local governments, that in the case of greater Toronto at least, one solution would be an annual tax of \$10 on an automobile. I forget what Mr. Gardiner said that would amount to -- in the case of metropolitan Toronto it would mean \$4,500,000 to \$5 million.

MR. MOONEY: From \$4 million to \$5?

THE CHAIRMAN: He developed this thought in his submission to us to quite an extent and said that certainly in that particular metropolitan area a good many of the projects that need to be undertaken, will have to be undertaken, have been caused by the automobile, and he thought the people who owned and operated automobiles properly were

the people who could best provide the money to fix things up. Would that suggestion have application in other municipal centres?

MR. MOONEY: I would think so.

I would think we can anticipate the possibility of the automobile owner increasingly paying for the improvements which will be necessary to enable him to actually move on our cities and streets.

THE CHAIRMAN: Now, on the subject of capital requirements, it was suggested to us in a number of places that it would be easier for the municipality to raise money at lower rates of interest if the funds were either lent to them by the provincial government, or there was some lending authority set up by the provincial governments to raise the money on a collective basis. The investment dealers who were before us yesterday were not enthusiastic, to put it mildly, about any such scheme, and they suggested that in the long run it would probably end up by costing more than the present individual approach to the financing problem.

MR. MOONEY: I would not question what the reasoning was behind the conclusion of the investment dealers association, but I know that the municipal governments view with some measure of concern their sheer dependence upon the open market for their capital

requirements, and that a good deal of capital plant required by the municipal governments is marking time because of the restricted ability of the municipalities to carry the kind of debt load imposed by the carrying charges that are involved in such expenditures. Therefore the municipal governments have requested and urged that there be a central and provincial funds for this purpose of making money available for leading public requirements at a more nominal interest rate than they are able to get in the open market. This point of view has now found reflection in at least two of the provinces, where in Alberta the provincial government backs up all municipal requirements at a very nominal rate of interest. The province of Nova Scotia -- they are not too dissimilar -- have certain types of local public works ---

MR. GOLDENBERG: I think we should be fair to the chairman's province. Ontario has a corporation which lends to the municipalities.

THE CHAIRMAN: The investment dealers. As we all know, Alberta is in a very favourable position. They do not have to borrow for themselves; they can borrow for the municipalities. I do not even know if they have to borrow for that. They may have enough money rolling in that they can handle these

things. They did not think that the Ontario scheme was a good one.

MR. GRAUER: If the question of tax revenues was handled along the lines you are suggesting; in other words, was made less onerous for the municipalities, then their problem would not be nearly so important, would it? One thing does occur to me; I do not know whether the investment dealers put it forward or not. We cannot have our cake, our interest in it, we cannot be talking of a full employment economy where the federal government alone must have control over interest rates, and then have borrowings under low interest rates, irrespective of the desire of the federal government to taper down on public works. There will be an important sector where there will be no influence at all because of the change in interest rates.

MR. MOONEY: I think this growing current request of the municipal governments for these forms of provincial remedial borrowing from provinces would fall under the class of self-liquidating loans, which have been on the statute books for a couple of years, loans available at 2 per cent interest rate. I think the reason why there has been this insistent demand is precisely the reason you put your finger on, sir. The municipalities, because of the cost of these undertakings,

have been in a difficult position and they have been trying to free themselves from what I call a strait-jacket financial situation. They have had to search out ways and means whereby they can eke out more money to do the kind of thing that they require to do. This is one of the reasons why they have gone and asked for some of the measures such as the elimination, for instance, of the federal sales tax. In the aggregate it will not amount to a lot to the federal government, \$10 million or \$12 million a year, but that amount filtering back into local government purchasing is going to mean a lot more locally. Therefore they have to be and have had to be ingenious, they have had to be persistent; they have had to pursue this line of thought and that line of action in order to make their limited resources go as far as possible. Therefore, if they could find a way to reduce the carrying costs of capital requirements, obviously it adds to their ability to carry on.

MR. GRAUER: What they are interested in is their over-all ability to carry on.

MR. MOONEY: I do not think municipal governments want to be treated differently from anyone else; they only want to be put in a position where they can carry

on the responsibilities that have been assigned to them in a sort of comfortable way; they have been very uncomfortable for too long.

THE CHAIRMAN: Another suggestion that was made to us was that the withholding tax on interest payable to non residents of 15 per cent, if that was removed, there would be more chance of raising funds abroad for municipal purposes. Do you think that that would be important?

MR. MOONEY: By and large municipal governments have not found it impossible to raise their capital borrowing requirements. I do not think that that factor would be unless it brought cheaper money available to them.

THE CHAIRMAN: That is what I mean; it would certainly suggest ---

MR. MOONEY: It would give an impetus. Undoubtedly it would serve to give them a little bit more leeway for the very same reason that we have been requesting that here in Canada we pursue the same policy that they do in the United States where municipal borrowings are exempt from taxation.

THE CHAIRMAN: On the subject of some of the major capital expenditures which municipalities are required to make;

you have already given us your views about slum clearance and low rental housing. Would you care to express any views about who should finance expenditures on such things as expressways or rapid transit systems. There is only one rapid transit system so far but I presume there will be more in the period that we are going to cover. Should these be financed locally by the municipality, by the metropolitan area, or is it the kind of thing that will require help from others?

MR. MOONEY: No; I think they are precisely the kind of projects upon which the municipal governments would require help from other levels of government. A very strong case could be made for the proposition that both the provincial and federal government should participate in the cost of major highway requirements in our cities. You could make a case in terms of the requirements of civil defence. Certainly, in the brief we have pointed out the problem of Montreal. Montreal is completely at the mercy of whatever might happen should war break out. As it stands today, we would be bottled up on the island if you ever tried to move that population quickly off the island under present conditions in an emergency war condition. Entirely apart from that I think it could be argued that the major highway system of a large city is

essentially part of the provincial network of highways. I think there are parts of a major urban highway system that are integral parts of a national highway system.

In the United States the president a few years ago convened a conference, and out of that I believe there was developed, if I am not mistaken, a \$50 billion road and highway programme for the next 10 years in the United States in which the federal authority and the state authorities and the municipal governments all were to have their relative share. It was a recognition that streets and highways in cities today are part of an inter related network of provincial and national throughways. So far as this kind of major street improvements is concerned I think a strong case could be made for participation by the other levels of government. So far as our subways are concerned, Mr. Chairman, that you spoke about, I do not see how you can construct subways today in terms of construction costs and finance their costs in relationship to the revenues from fares at the present scheduled rates.

As we point out in the brief, the situation in Toronto was an unusual one in a sense because the initial cost of the new subway was taken care of by surplus earnings under the public system at a time

when the rates were higher than were needed, high enough to permit the annual revenue to accrue, and they finally got a nest egg, and with that nest egg it made the Toronto subway system possible. We did not have that kind of a setup in Montreal, so we did not have the nest egg and so we have not got a subway. Now, I do not see nest eggs developing these days in public transit systems. They are just paying their way and no more. Most of their operations are marginal, and probably most of them are on the red side. If that is so in terms of subways, then how can you hope to produce the money that is going to pay the very high costs of their construction unless you are getting some kind of subsidy? Whether or not that should be a subsidy from the local resources of the community or a subsidy in which other levels of government would participate, I do not know. In America the matter of a transit system continues to be a most vexing and pressing problem.

MR. GRAUER: I understand the subway system in Toronto does not meet the capital and operating charges.

MR. MOONEY: That is right.

THE CHAIRMAN: Another major item of capital expenditures that we have heard a good deal about is sewer systems. It was suggested to us by a number of smaller

municipalities in the west particularly that the 1938 Federal Municipal Assistance Act should be reactivated and funds should be provided in that way for sewer systems. Is that a view that would be held generally?

MR. MOONEY: We regard the Act or its equivalent ---

THE CHAIRMAN: Is that the sort of thing that the federal government or the provincial government should be interested in primarily?

MR. MOONEY: Well, the federal government at one time was interested in it to the point where they had legislation, and on the grounds that the principle has been accepted by the federal authority we would like to see that principle renewed, but here again ---

THE CHAIRMAN: You do not care as long as somebody comes along?

MR. MOONEY: That is correct.

THE CHAIRMAN: I do not mean that unpleasantly; but some other level of government obviously has to help out.

MR. MOONEY: That is right.

MR. GOLDENBERG: Actually under the Municipal Assistance Act that you were talking about, the federal government I do not think ever dealt directly with the municipalities. There was corresponding legislation in each

province. Before the municipality could make application I think it required a provincial guarantee of whatever loan was made to the municipality.

THE CHAIRMAN: With respect to some of those smaller rural municipalities, some of them pointed out the difficulties that they are up against with the movement of people to the larger centres. They move not only directly from the farm but also from the smaller rural communities as well, and the people who are responsible for the administrative government of those rural communities, some of them, expressed considerable concern to us about how they were going to handle their problems in the future. Have you any views on that? Are the smaller rural communities likely to become ghost towns in a sense?

MR. MOONEY: There will be a tendency for that to happen, Mr. Gordon, if our thesis is correct. With the higher incidence of population in towns and cities, I think it almost naturally follows that there will be a lower incidence in the rural communities. There are some ghost towns developing now in Canada.

---Recess.

---After recess.

THE CHAIRMAN: Before we broke off we were discussing sewage disposal plants. There is a question or two that I should like to ask on that subject. On page H-16 there is this statement:

"At present there are only 445 sewage treatment plants of all kinds in operation of which 288 provide only partial treatment."

On page H-15 there is a list of the number of sewer systems, which adds up to 845. I presume that the difference between the two figures means that there are some 400 where there is no treatment at all.

MR. MOONEY: Yes, simply discharge.

THE CHAIRMAN: I suppose that is one of the reasons why there is no swimming in the Ottawa river?

MR. MOONEY: That is right. A good measure of pollution presently characterizing our water ways in Canada is occasioned by the fact that we discharge into the waterways untreated sewage.

THE CHAIRMAN: The problem of correcting that situation is a very large one, as we are beginning to appreciate. Has anybody made any studies of the magnitude of the problem

in terms of dollars and cents?

MR. MOONEY: There is material available, Mr. Chairman, and if it would be of interest to the commission I would be very glad to give you some estimate of the cost magnitude.

THE CHAIRMAN: Obviously I am very ignorant on the subject. There is quite a backlog of things that must be done in the area of sewage and water pollution.

MR. MOONEY: Yes.

THE CHAIRMAN: Is the programme as large as the highway programme, for instance?

MR. MOONEY: No, I would not say that, but it is large. The full picture of the highway programme requirements is of a monumental magnitude; this is of large magnitude, if I may use the term. For instance, in the entire island of Montreal we discharge into the Ottawa river and the St. Lawrence river probably as many as 150 sewer outlets large and small. All the sewage pollution of that large metropolitan community without treatment whatsoever is poured into those waters, and this is probably true of practically all cities and towns across the country.

THE CHAIRMAN: With respect to the question of obtaining water you say on page H-11:

"Much can be accomplished by national leadership and participation in these measures."

What do you mean by "national leadership"? Is this something that can be dealt with on a national scale, or is it not provincial?

MR. MOONEY: Certainly the matter of water pollution is of national proportions. A good deal of the pollution arises from the interprovincial rivers and lakes and indeed beyond that international, and there is a need at that point for national leadership in coming to grips with what are the primary sources of water problems, which is water pollution.

MR. GUSHUE: You might have the same river serving more than one province and more than one water supply?

MR. MOONEY: Yes, but that is not the only point. The point is we were talking about water requirements, but there is a further great risk in the cities and towns of this country because of water flooding conditions, and they are in the proportions of national and international, and we believe that much more could be done than presently is being done with reference to these aspects of our water problem and pollution of our waters and streams and the

flood conditions created by them.

MR. GUSHUE: You speak of the greater competition there will be for the use of the water resources.

MR. MOONEY: Yes.

MR. GUSHUE: And suggest it would be necessary for the municipalities to combine with other interests. Would you like to enlarge upon that a little? I take it there must be provincial control over the use of the water by municipalities securing water rights and so on? Is that the case in all provinces? How do you go about getting a supply of water for a small municipality?

MR. MOONEY: It depends where your source of water is taken from. If it is taken from the St. Lawrence at Montreal, ~~why~~ you are involved there with the federal government because it is a navigable stream. If it is a non-navigable stream, why it falls under provincial jurisdiction.

MR. GUSHUE: It is under control by one or other government?

MR. MOONEY: Yes, except surface water. If your source of water is a river or a lake, why then you are brought within the compass of the jurisdiction under whose authority that resource falls. It is one of the natural resources of the country.

MR. GUSHUE: Are these applications

made public? Let us assume you have a river going through a very considerable part of the province and a municipality wants to use it. Does another municipality lower down know that application is being made?

MR. MOONEY: Yes, frequently ---

MR. GUSHUE: There is some control?

MR. MOONEY: --- difficulties arise.

MR. STEWART: What is the technique of sewage disposal?

MR. MOONEY: Well, the sewage is gathered and processed through chemical means, the water purified and discharged. The residue has many economic applications for fertilization purposes and for other purposes. A good sewage plant, providing it has a good source of sewage supply, can become an economic operation. One of the hopeful things about large cities is that sewage disposal can become probably a self-liquidating utility.

MR. STEWART: That is the reason I asked the question. Are there, to your knowledge, any such firms in the country?

MR. MOONEY: I know of no such firms.

MR. GRAUER: You have spoken of the central problem of financing the municipalities. As you know, there has been

the approach of trying to put the provinces on their own feet from the point of view of revenues vis-a-vis the federal government. The assumption is that the municipalities would then be taken care of through the provincial governments. On the other hand, one is impressed with the number of specific claims for federal assistance, such as we have heard this morning. Do you have any views on whether it is desirable that the provincial governments, if at all possible, should be put on their own feet through allocation of tax revenues, or do you ~~prefer~~ a wide variety of add hoc claims upon the federal government?

MR. MOONEY: Mr. Goldenberg could start off on that.

MR. GOLDENBERG: I did not hear you. Perhaps you would repeat what you said.

MR. GRAUER: Do not expect me to repeat it accurately.

MR. GOLDENBERG: No.

MR. GRAUER: One approach to this problem is to see -- this is a federal system -- that the provincial governments are given sources of revenue which would allow them to operate on their own feet without further claims upon the federal government. Yet, we know there are those specific requests

for federal government assistance. There have been several mentioned here this morning. Do you feel that the approach of putting the provincial governments on their own feet is a good one in the first place, and in the second place, if so, is it feasible?

MR. GOLDENBERG: Well, theoretically it would be good. I would question its feasibility. Let me quote from page 13 of section O. This gives you the idea that I share. Perhaps I should give you my own answer, Dr. Grauer. Let me read the second sentence of the quotation on page O-13. It reads as follows:

"A neat allocation of functions to be performed exclusively by each level, a complete separation of revenue sources by levels of government, and a dedication of particular revenue sources to the financing of particular governmental activities -- these are no longer workable approaches, even though logically appealing."

That is my personal view. I am not talking of the organization.

MR. GRAUER: The question arises,

in how many ways do you assist the provinces and the municipalities through them? For instance, take the tax rental agreements. There is a pressure at that level to put the provinces in a position to conduct their own affairs. If you have that assumption with respect to those agreements -- and this has already happened; we have heard a wide variety of suggestions of ways in which the federal government could give various provinces assistance, and by no means uniform between the provinces, each province has perhaps a different idea of the way it would like to be helped by us. Some may have the idea they do not want to be helped at all. So it does raise certainly a great many problems even though a neat solution you feel will not work out. The other one means a constant process as far as we can see, of pressure of one government on the other.

MR. GOLDENBERG: My view there, Dr. Grauer, is perhaps coloured by the fact that I am a lawyer. I have to bear in mind that we have a certain constitutional setup under which the municipalities fall within the provincial jurisdiction. I feel that any adjustment in federal-provincial financial relations should take account of the actual and logical provincial responsibilities which should include some of the municipal

responsibilities for which the municipality should not really have to raise money. In other words, if a province submits that it requires certain revenues, whether tax revenue or payment by the federal government in order to finance its services, it should make allowance for its proper share of so-called local responsibilities which I submit are no longer local responsibilities. That would be more easily said than done.

MR. GRAUER: If I get your reasoning right, if such were the case, if the agreement between the federal and provincial governments did that there would be no further claims on the federal government for new forms of assistance until the next time the tax agreement came up.

MR. GOLDENBERG: I would not even go that far, Mr. Grauer, because there is no doubt that particular services arise, or develop, which require particular treatment. I have in mind, for example, governmental responsibility for highway financing in Canada. We have now reached a stage where the federal government is participating in the trans-Canada highway. I will be bold enough to predict that is just the beginning of federal participation in highway construction in Canada, and probably by the time that you and other members of the commission re-read your

report in 1980 the federal government will be financing other highways of which municipal expressways would form a part.

MR. GRAUER: Would you look upon federal assistance continuing in specific directions along with the agreements?

MR. GOLDENBERG: Yes, I think so. There is no finality to these things. You cannot close the book and say now here we have assigned this to the federal, this to the provincial and so much to the municipal authorities and that is how it is going to stand. I cannot for the life of me see that done. I think there will be federal-provincial tax agreements on some basis or other which will be renewed in 5 years, but that in the interval there will be other adjustments affecting the financing of services; I think that is unavoidable in our growing and dynamic society.

MR. GRAUER: It was suggested by one municipal head that certain taxes should be allocated to the municipalities constitutionally. I take it from the brief that is not your view or the view of the association.

MR. MOONEY: I do not see how that could be done, no; I do not think it would be workable. We have to remember the municipality operates within a limited geographic area; that as income is developed it is not very easy to tax it through the

local administration. I would say that the municipality should be entitled to impose a motor vehicle user tax, which I think it could levy. My own view is that the real property tax is still the most appropriate to the local unit of government, provided we recognize the fact that it was appropriate to the limited services of some years ago but it is not an adequate tax today.

MR. GRAUER: The whole problem of meeting the revenue requirements of the provinces and the municipalities would be a continuous process, then, the way you look at it.

MR. MOONEY: Absolutely.

MR. GRAUER: I have just one other point. There is a very curious omission in the submission on page E-3, in the natural gas section. The second largest source of natural gas is left out entirely, namely, the province of British Columbia. I trust that will be remedied.

MR. MOONEY: You have got it back, Dr. Grauer; I have just returned it.

MR. GUSHUE: I notice a suggestion for a fact finding body, perhaps a royal commission, to look into the question of urban development and the changes in the value of the various contributions, and so on. You are thinking of that on a national rather than

on a provincial scale?

MR. MOONEY: Yes.

MR. GUSHUE: You do not want 10 royal commissions?

MR. MOONEY: It probably is a provincial responsibility, but from our standpoint we would like to see it done in all provinces. If somehow such a committee of inquiry were set up to look at the whole Canada wide situation with reference to the problem of urban growth and development, particularly in relationship to the land factor, we would believe it would be very useful.

MR. GUSHUE: You would have to repeat it, then, from time to time, would you not?

MR. MOONEY: Yes, I suppose you would, though we believe an inquiry of that sort would throw a considerable amount of light ---

MR. GUSHUE: The initial inquiry?

MR. MOONEY: --- and direction particularly in the kind of things that are needed if you want to see this development in the urban centres of Canada proceed rationally.

MR. GUSHUE: You would probably have to tie that in with the point just made by

Mr. Goldenberg so that something of that sort would keep alive.

MR. MOONEY: Yes; we have in mind frankly, Mr. Gushue, something of the sort that was done in Great Britain under the Tipton commission. I do not think its terms of reference, the terms of reference of such a committee, would be certainly as embracing as those of the Tipton commission, but we believe an inquiry in the general field of land use and control, and development requirements and control requirements in relation to that is very much needed in this country.

MR. STEWART: How far have you gone across the country in some measure of equalization of assessments between urban communities?

MR. GOLDENBERG: The prairie provinces, of course, have paved the way particularly. You have equalization now, Dr. Stewart, in the three prairie provinces. British Columbia has now introduced it, and I really think that equalization in any effective sense stops there. I do not think there has been any attempt on a comparable basis in eastern Canada. It is being discussed. It is being discussed in Ontario now.

MR. STEWART: Is not this a prerequisite of effective utilization of the property tax in the whole discussion that we are having? How could a move toward that be

be accelerated?

MR. GOLDENBERG: Well, it is not an easy thing to accomplish. I know the British Columbia situation where there are a number of court proceedings now arising from the attempts to equalize assessments which began in the past five or six years. There is a lot of local rivalry, local jealousy, and there are perhaps political reasons why they probably will not be too anxious to have equalization of assessments.

MR. STEWART: I noted your reference to the business tax. I think the suggestion was that this should be collected on a uniform basis.

MR. GOLDENBERG: Not the business tax, the real property tax on industry.

MR. STEWART: That is what I mean, yes. Is this a proposal from the federation?

MR. GOLDENBERG: It is my proposal. I will have Mr. Mooney answer the question whether the federation endorses it.

MR. MOONEY: Mr. Chairman, it is a proposal that has been discussed here and there across the country. The federation has never taken any official stand behind the idea. This projection of possible things to come is -- reference is included to it in the brief because it does suggest that thereby there would be a fairer distribution of the social

costs of operating a community. If the incidence of property taxation of industry should at least be applied regionwise or provincewise rather than simply within the narrow limits of a municipality, we think that idea has some general merit. We are now not at this point recommending it. We are pointing out, as we proceed in the future we will probably look at that more and more as a possible way in which to provide a more equitable distribution of the social costs of government in our cities and towns.

MR. STEWART: If the property tax should be reserved only for and to the extent that it covers the cost of service which add to the desirability, the productivity and value of the business property, if that could be done then there would be no point, there would be no advantage in having a central pool from which this would be allocated.

MR. GOLDENBERG: That is right, Dr. Stewart. The suggestion I made arose from the fact that the real property tax is not imposed on the benefit theory. I am not suggesting anywhere in my brief that it should be strictly restrictive that way.

MR. STEWART: Is the benefit theory applicable; is it possible?

MR. GOLDENBERG: I do not ---

MR. STEWART: Is it worth going

after?

MR. GOLDENBERG: I do not think so, although we have to admit if there is any tax today -- I am not talking of licenses -- if there is any tax that is levied to some extent on the basis of the benefit theory it is the real property tax. The suggestion that you restrict it solely to services benefiting real estate would be very difficult in practice.

MR. STEWART: Yes, but there are a lot of difficulties in practice with this whole problem. Would you say it is so difficult that it should be disgarded now?

MR. GOLDENBERG: No, I am not suggesting it be disgarded, by no means. That is one of the reasons why I am suggesting here that some of the services that the municipalities are now responsible for should not continue to be such, but I am not arguing that the real property may not benefit in part from some of these other services.

MR. MOONEY: The fact of the matter is that property benefits from all the services that municipal governments render to the community. It is not only the direct services such as street cleaning and fighting fires, but the total amenities of the community create value for property, so it could be argued that the total cost of things the municipal governments do have some value for

property, and I think it would be awfully difficult to determine where the dividing line is between the direct services to property and indirect. I think you would find them very close together.

MR. STEWART: Suppose we have an allocation of responsibility between the provinces and the municipalities and that we try to hold down property tax as the main source of revenue of the municipality, although there might be some others, but in order to finance the responsibility which remains with the municipalities you would have to have additional funds coming out of other tax sources raised by the provinces. The problem that I have here is that the province is the body responsible for raising those funds. The municipalities are not responsible. Now, in this situation, when you get irresponsible demands from the municipalities on the government which is raising the tax -- if that is a real problem -- is there any way in which through discussions of relations between the municipalities and the provinces that they might either say jointly raise the tax -- would the municipalities be prepared to be jointly responsible for raising the taxes from which they get grants; that is, to take the onus of responsibility for doing this along with the other government which is now doing it?

MR. GOLDENBERG: I think the federation agrees with me when I say that local administration of schools and of other services, where such administration is desirable, will continue along with a certain degree of local financial responsibility. In other words, the federation is not submitting to this commission that it continue to retain administrative responsibility for some services without any financial responsibility. My point is, as long as it retains a certain degree of local financial responsibility that it is thereby raising part of the revenue for that service. I do not see how the municipality could join with the provinces in raising a large part of which must be raised by the provincial government. Perhaps you might give me an illustration of what you have in mind.

MR. STEWART: I heard this proposition discussed with the provinces. A province, let us say, is tired of raising money in order to provide increasing grants for the municipalities who have no responsibility for raising those taxes, and that the answer is in some way to get the municipality jointly responsible for the imposition of taxes from which they get revenue. Is that a reasonable proposition?

MR. MOONEY: I can pick up the

discussion for a moment. The municipal governments would point out to both the provincial and the federal government that a good deal of this money that is returned to the municipal governments in the form of provincial grants in aid or special allocation of funds from the federal government is money that originates in the cities and towns. They are substantial tax payers of a good deal of the aggregate of all tax revenue raised by all governments. I do not think the municipal governments take the position that these grants in aid, or these special financial arrangements, for this service or that, are paternalistic concerns on the part of any level of government in the welfare of the community, and they give it to them as hand outs. That phrase has been used very frequently in the past. We reach the point where we say a larger share of the aggregate tax revenue raised by all government in this country has got to flow back to local governments to do the kind of job that local governments have been set up to do. Now, the point of view put forward by Mr. Goldenberg, his conception of parallel interest, it does seem to us if that point of view were got out in the open and forcibly pursued we might be able to relate to the municipal problem that same kind of arrangement that presently exists as between

the federal and the provincial governments. The municipal governments do not want to get out from under their responsibilities, but they point out the limitations on their ability to raise money to finance the costs of their responsibilities. And so in a broad sort of way we say for this kind of service; that is the parallel interest service we talked about earlier, if you wish us to administer that, and we think that we perhaps are the best agency of government to administer this kind of service on the local level, we will take over the local administrative costs of it but you provide from your resources the bulk of the money. Whether it is in the money that is dispensed or the service to be rendered we will set up the local administration of it, and that is a very real contribution which we are making, and which will give us a very real concern for the expenditure of the money that is made.

By and large municipal governments have not been profligate with their money. They have husbanded their resources extremely well over the long years they have been in existence, and if at times they have had financial difficulties, they have not been difficulties created by mal administration in the local situation, but by the force of circumstances and events over which they have

had no control. That is the record of local government in this country, and that is the substance and I think the soundness of the proposition of this conception of parallel interest. The idea being sort of the most likely part whereby we can resolve this gap between our ability to produce on the local level the revenues from one source and another and the cost of the responsibilities that are on the municipal governments for the services that have been assigned to them to be responsible for.

THE CHAIRMAN: Mr. Stewart and Mr. Mooney, I think perhaps we should bring this session to a close. We have to eat. It has been a most interesting submission. I am not exaggerating at all when I say that all of us think it is one of the most valuable briefs that have been presented to us. I hope you decide to publish it, because I think it contains a summation which deserves wide discussion. I know that you may do that -- I hope you do. We are extremely grateful to you. We recognize the very great mass of work that has gone into its preparation by a great number of people, and I hope you will convey our thanks to them when you have the opportunity of doing so. Thank you very much.

--- The commission adjourned
at 1 o'clock to meet at 2:30 p.m.

--- The commission
resumed at 2:30 p.m.

APPEARANCES:

Mr. William C. Norris, president;
Mr. Camille Archambault, assistant
to the president and
director of public relations
of the Trucking Association
of Quebec;
Mr. J.O. Goodman, general manager,
Automotive Transport
Association of Ontario;
Mr. John Magee, executive secretary,
for the Canadian Trucking
Associations.

Mr. Roy Halliday, president of the
association, Laidlaw Lumber
Company, Toronto;
Mr. W.J. LeClair, Secretary-Manager
for the Canadian Lumbermen's
Association.

THE CHAIRMAN: I think we might
come to order. The first submission this
afternoon is that of the Canadian Trucking
Association. We will mark the brief Exhibit
218.

Would you like to start in,
Mr. Magee?

MR. MAGEE: Mr. Chairman and
members of the royal commission on economic
prospects, before I begin a summary of the
submission which we have filed with the
commission, I would like to say how much the
Canadian Trucking Associations appreciate
the opportunity of giving you its views on the

development of the trucking industry during the next 25 years. Our association group which is here today to assist you is headed by our chairman of the board and president, Mr. William C. Norris of Montreal. Mr. Norris is the president of an interprovincial trucking company which bears his name and which has been operating for many years on the Montreal-Toronto run. With Mr. Norris are two directors of Canadian trucking associations: Mr. Camille Archambault, of Montreal, and Mr. J.O. Goodman, of Toronto. Mr. Archambault is the assistant to the president and director of public relations of the trucking association of Quebec and the president of Rapid Transport Terminals in Montreal. Mr. Goodman, an honorary life member of our directorate, is the general manager of the Automotive Transport Association of Ontario.

As has been the practice during the course of your hearings, Mr. Chairman and commissioners, I would like to feel free to refer to any member of our group here any question on which I think they can be helpful to you.

THE CHAIRMAN : That is right.

MR. MAGEE: Canadian Trucking Associations, as we have described it in our submission, is a national federation of all of the provincial trucking associations in Canada. These provincial associations are autonomous

organizations within their own province, each with a separate board of directors and staff. Their sphere of operation is in their province. The sphere of CTA -- which is their collective and united voice -- is exclusively federal. We represent the industry in respect to its national problems, legislative and otherwise.

In addition to the Trucking Association of Quebec and the Automotive Transport Association of Ontario, these provincial trucking associations are members of the CTA federation: Maritime Motor Transport Association, which represents the trucking industry in the four Atlantic provinces; Manitoba Trucking Association; Saskatchewan Motor Transport Association; Alberta Motor Transport Association; and Automotive Transport Association of British Columbia.

The trucking industry came into being roughly 30 years ago and has had a phenomenal growth since that time. We expect that the future will see a healthy development of the industry. As we have said in our submission, we expect that a quarter of a century from now the industry will have in operation a fleet of 156,300 vehicles. That compares with the 69,500 vehicles which we estimate were operated in 1954. I might say that that figure of 156,300 -- the expected number of vehicles in 1980 is estimated on the basis of vehicles at

present capacity, which is the only way we can go about making an estimate, because we have no way of telling what capacities will obtain in the year 1980.

We have attempted to give the commission evidence in our submission that the trucking industry developed and grew to its present position in transportation primarily because of its ability to provide shippers with a specialized freight service. I might call it a premium freight service of a type which shippers had not previously enjoyed, fast, convenient, flexible and economical to use. You will recall that on page 38 of our submission we quoted the report of the Turgeon royal commission on agreed charges which stated last year:

"It will be sufficient to point out that with its speed, convenience in loading and unloading, less stringent packing requirements and other features the highway vehicle has become a most effective means of transportation for all but the lowest-valued bulk commodities wherever distances and condition of highways are favourable."

And in that report, tabled in parliament in March, 1955, the commissioner went on to point the way to the future in a statement which this commission may find of assistance in its own study. The Hon. Mr. Turgeon stated:

"I was mainly impressed by the fact that this industry has attained great vigor and seems to be bound toward further advances. Better roads, the completion of the national trans-continental highway, the strengthening of the industry by the tendency within it toward the formation of larger companies, the continued improvement in the services rendered, all these things are present and they all make for progress...the trucking business is now one of Canada's great industries."

We believe that it is necessary to be patient and good natured when we hear it claimed that the trucking industry has been favoured in its march of progress by public subsidization in respect to its use of the roads; or by its major competitor, the railways,

having one hand tied behind their backs in their attempt to grapple competitively with truck transportation -- monopoly regulations which they say have wrongly been carried forward to the present time.

These claims do have a bearing on the future development of the trucking industry and of the railroads. If it is true that trucking is at an advantage in competing with a transportation agency that is, to some extent, hamstrung by regulation, this is a factor which will favour the development of the trucking industry, quite apart from other considerations, including the main consideration, service. And so we thought it important, from the standpoint of the commission, to give some detailed examination to the question of the railways ability to compete with truck operators. We did that in the second section of our submission which we entitled "Relationship of Railway Regulation to Development of Rural and Truck Transportation". That section comprises pages 4 to 16, inclusive. We examined this claim carefully and submitted evidence to the commission to show:

(1) The railroads have been permitted -- in fact, virtually encouraged -- by the Board of Transport Commissioners to use their own managerial discretion to bring

about a "revolution" in that part of their freight rate structure which applies to competitive traffic;

(2) Under a little-known regulation of the Board of Transport Commissioners, the railways are permitted to make, and put into effect, motor truck competitive rates before those rates are filed with the Transport Board.

(3) The railroads' freedom to make competitive rates, and put them into effect, requires no formality more formidable than a telephone discussion with a shipper.

We have reason to believe, Mr. Chairman, and members of the commission, that very few thinking Canadians have any inkling that those are the true competitive conditions which exist in the transportation marketplace today.

We, as you will recall, dealt with the evidence given by Mr. Edsforth, Assistant General Traffic Manager of the C.P.R., an officer of the railway, who has an important and responsible voice in the pricing of the freight services of the C.P.R. We quoted from the testimony which came from the transcript of the royal commission on agreed charges on November 8, 1954. We quoted the question that was asked of Mr. Edsforth by our counsel, Mr. Hume, as follows:

"Mr. Hume:

Q: Is it not true that the railways may put in a competitive rate and meet the truck rate almost overnight?

The witness:

A. They can put it in on short notice, that is right.

Q. So that the railways are just as free to quote a rate on any competition with the truck as the truck is on any competition with the railways?

A. We are free to quote a rate just as much as the trucker is."

We amassed further evidence in that part of our submission, Mr. Chairman, on that point, and I will not cover it in this summary.

In connection with this question of the ability of the railway to compete with the trucker, according to ordinary commercial principles, and their managerial discretion, they are given a free rein to do so.

There is only one other aspect of competition left apart from the rate question, and that is service. Well, in our submission to the commission we have not touched on the question of the railways ability under regulation

to compete with us servicewise, but I think it is generally known that the railways are perfectly free to compete with the trucking industry from a service standpoint, and they can do so without any restriction. They may haul their own truck-trailers on flat cars, as they are now doing, thereby effecting coordination of rail and truck transportation in an effort to find an answer to the trucking industry competition. They have designed a new automobile carrying freight car into which they will put eight automobiles as an answer to the competition of our car-carrying trucking companies. They are free to effect any improvements they like in their refrigerated equipment in an effort to extend the growing volume of perishable traffic now being moved by truck. So that our submission to the commission on the question of the railways' day to day ability to compete with us in the transportation market places is that they have complete freedom to do so.

Then, Mr. Chairman, and members of the commission, we thought we should deal with the highway situation in our brief, particularly the question of highway financing, and we have done that in the section "Road Transport and Highway Finance", which appears on pages 17 to 27 inclusive. This question of the roads and who is going to pay for them

is so important that we would have dealt with it very much as it appears there, even if you had not been told that the railways highway competitors were having provided for them largely by the taxpayers and the ordinary motoring public the right-of-way upon which they carry on their operations.

It should be pointed out that at present there does not exist in Canada any scientific formula for allocation of road costs to the different user classes. As a matter of fact, we did point that out in that section of our submission entitled "Road Transport and Highway Finance."

Inevitably, the decisions as to whether private automobiles, light vans, and heavy commercial vehicles are paying more, less, or merely their respective fair share of road costs drift into the political realm where -- particularly in face of the constant urgings of the Railway Association of Canada and others which are made from time to time in regard to truck taxation -- it becomes very easy to decide that a minority group of taxpayers should pay more.

We express the view in our submission that it may well be that the royal commission on Canada's economic prospects will initiate a new approach to the question of highway finance, away from

improvised methods of the past. We suggested that basically the movement of goods and persons by road is an integrated transport undertaking. Merely because the road happens to be the "track" for the trucking industry whereas steel rails are the track for the railroad industry, is no reason for separation of the truck and the road in the thinking of those authorities responsible for highway finance and construction. The positive approach is that the truck and the road are an integrated transport undertaking.

After I have concluded my summary of the submission I am going to ask Mr. Archambault and Mr. Goodman to each make a short statement to you on the question of highway transport taxation respectively in the provinces of Quebec and Ontario. Conditions in these two provinces reflect a pretty big part of the trucking picture in Canada. I can give you some incomplete figures which indicate that. Of 717 trucking firms which supplied tonnage figures to the Dominion Bureau of Statistics for 1953, trucking firms with headquarters in Ontario carried 51.3 per cent of the total and Quebec headquartered firms carried 37.5 per cent.

We were somewhat surprised by the Canadian Pacific's reference at your hearings on January 19th to "the contention

which seems borne out by every investigation that has been made" that highway competitors are having provided for them largely by others the right of way upon which they carry on their operations. Let us go back and think about the last two senior royal commissions in Canada that had to do with transportation matters. The royal commission on agreed charges did not touch on the question, but the royal commission on transportation, which sat in 1949 and 1950 and reported in 1951, received reams of statistical material on the subject of the tax contribution made toward road costs by the trucking industry, and that commission stated in its report of February, 1951:

"Motor vehicles operate on highways which are owned and maintained by the provinces. The revenues derived from them by each provincial government consist of licenses fees and gasoline taxes. Some discussion was held at the commission's hearings on the question whether the revenues paid by the trucks to the provinces provide adequate compensation for their use of the highways. All that can be said here on this point is that

it is in the interest of the provinces to collect at least enough revenue from this source to avoid loss if not to make a profit, and there does not appear to be any reason to suppose that this is not being done."

I would like to point out here that in referring to some of the representations that were made by the railways that touched on trucking matters, we are not unsympathetic to the problems of the railways in conducting their operations successfully in Canada -- unique problems in many instances -- and we appreciate the importance of the Canadian railroads in the transportation structure of Canada, and it is not in any contentious spirit that we bring this point forward, Mr. Chairman, but merely to place additional information before the commission which we thought it was necessary to give you.

We now come to the question of the ton-mile cost of transportation agencies. At the outset I would like to correct the impression left on page 28 of our submission that the ton-mile cost of air freight service provided by Trans-Canada Airlines is 18 cents per ton-mile, because I understand that is the ton-mile cost of the over-all T.C.A. service,

passenger, mail, express and freight.

I think perhaps we can be quite frank about this question of ton-mile costs with the commission and try to take you behind the scenes, as it were, in regard to the trucking industry's approach to the matter. Actually it is a problem to us. The issue was raised in the railroad's submission on January 19, and you will recall that Mr. Crump, in his statement, put the ton-mile cost of certain truck movements as low as 2 cents but he thought the aggregate figure for the whole Canadian trucking industry was "5 or 6 cents". Mr. Gordon said that it was 5 cents and when you questioned him about it, about this estimate of the Canadian National, stating that the figure in the United States was somewhat higher, he termed his estimate of the aggregate ton-mile cost of trucking in Canada a "guestimate".

From the standpoint of the railways there are not the implications in regard to divulging the ton-mile cost figure, or revenue per ton-mile, which is the figure the railways usually prefer to use, understandably so for competitive reasons, there are not the implications confronting them that confront the trucking industry in regard to this matter. About 90 per cent of what is done by railroads in Canada is done by the Canadian National and Canadian Pacific. In both cases their ton-mile

cost is between 1 and 2 cents, probably $1\frac{1}{2}$ cents, somewhere around there. The trucking industry, however, is not made up of two trucking companies. There are between 10,000 and 15,000 public service vehicle operators in Canada. These are trucking firms operating for hire, and they own anywhere from one truck up to 1500 pieces of equipment per operator. The aggregate ton-mile cost of the trucking industry as a whole may be very far from applying to the operations of large numbers of these trucking firms. There is actually a very wide ton-mile cost range in the trucking industry. During the research which we undertook for the preparation of this submission we were told by one well-known and reputable truck manufacturer, who makes a practice of studying this question for his clients, that in the case of two very comparable trucking operations, one in southwestern Ontario and the other in northern Ontario, the ton-mile cost of the company in southern Ontario was 1.2 cents a ton-mile. The ton-mile cost in northern Ontario was 20 cents. Both of these companies used identical equipment supplied by this manufacturer. We have never heard it suggested, and perhaps it never will be, that the ton-mile cost of transportation agencies should be used as a basis of regulatory policy -- that is, for the application of an operating sphere for each agency. Suppose that rail

service was available in northern Ontario, one can imagine the political implications of shippers in that area being told that they could not have truck service because in comparison it was "uneconomical" at 20 cents per ton-mile; whereas the shipper in southwestern Ontario could have it because it was "economic" at 1.2 cents per ton-mile. This would certainly be compounding the difficulties of the northern shipper particularly as the firm in southwestern Ontario is probably, from a transportation standpoint, much more favourably located in respect to markets.

We see a possibility of confusion arising in respect to ton-mile costs, particularly from the standpoint of understanding by the Canadian public of our Canadian transportation problems. Discussion of transportation problems which are rooted upon the ton-mile cost completely overlook the question of service. That just happens to be the product which transportation agencies are selling. And the service can far outweigh cost considerations in respect to the problems which confront industries and manufacturers who are shipping freight. Indeed, the fact that shippers find it preferable to use air freight, which has a ton-mile cost higher than boat, rail or truck brings immediately into focus the importance of service.

We were discussing this problem at the hotel last night, particularly in regard to how we might be of greatest assistance to the commission and to your transportation staff. I think Mr. Norris put his finger on the difficulty when he said that if there were five trucking companies represented in that room, in each case their ton-mile cost would probably be different -- in fact, might vary greatly, and we have from 10,000 to 15,000 firms to consider. We therefore agreed last night that it is very difficult at the present time to talk in terms of anything more specific than a ton-mile cost range for the Canadian trucking industry.

According to the best information available at present, the cost spread for the industry can be provisionally estimated as ranging from 1.2 cents per ton-mile, under favourable conditions with better than average utilization and better than average facilities, to some extreme cases of 20 cents, and over, under difficult operating and traffic conditions.

I might say that one other thing that we are going to do in respect to this question to assist the commission's staff will be to submit some individual ton-mile cost figures for some of the larger trucking companies which agreed to make those available.

In analyzing the future growth of the trucking industry, we think naturally of

how the trucking industry will fare as the competitive struggle continues among the various forms of transportation, and what share it will obtain of the new traffic which will become available. There is no doubt that each form of transportation must always be appraising its competitive strengths and weaknesses, and, in doing so, we of the trucking industry always come back to the question of the strength of our major weapon, and that is service. That it is a powerful competitive weapon, there is not the slightest doubt. The development of the trucking industry to its present stature attests the fact. You recall that we quoted the Minister of Transport, the Hon. George C. Marler on pages 39 and 40 of our C.T.A. submission, as he put it at the agreed charges hearings last year in June, as follows:

"It seems to me that we can all think of countless examples where the truck can render more useful and more efficient service than any other means of transportation that is at present available."

And again there was his comment:

"There is a place in the transport industry for trucking

and that nothing that the railways can do by way of agreed charges, competitive rates or any other device would change the habits of shippers because the truck can do something that only the truck can do and that the railway cannot do."

I do not know whether it was on the basis of these conclusions that the minister was led to introduce his analysis in these words, but this is what he said last year:

"I cannot help thinking that we are all agreed that the trucking industry fills a vital need in the economy of virtually all countries, and certainly so far as Canada is concerned."

Commencing at page 45 of our submission, we evaluated some of the factors which, combined with the service the industry gives, are expected to result in its growth to the point where, in 1980, it will be operating a total fleet of for hire truck and tractor-trailers of approximately 156,300 units.

Because of the time limitation I should just skim through this. They are all set out in our submission. The first is the general tendency toward decentralization of

industry, the growth of suburban industrial and marketing centres and the expansion of smaller centres outside the major metropolitan areas. We think that will affect the development of traffic for the trucking industry. Paragraph 2, the increase in automation in the manufacturing industry which we feel will increase the requirements for an even and fully controlled flow of parts and material; in other words, the demand for premium freight service will increase as a result of automation. Paragraph 3, the development of speciality traffic and the movement of perishables by refrigerator or "reefer" truck which has developed during the past 10 years is an example of our share in that traffic. Paragraph 4, the increase in the mobility of the population is seen as having some influence in the development of the trucking industry during the next quarter of a century. You have the immediate result, of course, of increasing traffic for long distance furniture movers, and then with the increase of markets for goods and services produced by local firms in the centres to which these people migrate, there will be a resultant demand for increased trucking services.

We have suggested in point 5 that the field of road transport has a major contribution to make to the development of new

areas due to mining and forestry operations.

All of these factors have led us to the conclusions reached on page 57 of our submission -- the number of present day vehicles which would be required to achieve the necessary fleet capacity during the years ahead.

So much for this summary of our submission to the royal commission. It has been helpful to our thinking on present day problems to have to look ahead and envision the future development of our industry. I think it has been very helpful to us in putting into a broader perspective the problems of the present that seem to loom so large at the moment, and which we sometimes think are going to be much more dire in their impact than they turn out to be.

We have thought of the future of the Canadian economy as a whole as being a healthy and expanding one. In consequence we believe that the trucking industry's future will be bright. As we have said in the concluding statement of our submission, "those who operate this essential mode of transport, so vital to national existence, may be looked to with confidence by all Canadians to fulfill the continuous responsibility, that of providing the nation's shippers with dynamic, ever-improving freight service."

We have here, as I explained, Mr.

Archambault and Mr. Goodman from the Quebec and Ontario Trucking Associations respectively, and with your permission we would like to have both of them make a short statement.

THE CHAIRMAN: That is fine.

MR. ARCHAMBAULT: Mr. Chairman and commissioners. I am very happy to have the opportunity and privilege of submitting to you, for your consideration, a few observations regarding the truck transport industry in the province of Quebec.

The province has less railway mileage per thousand inhabitants than that of any other province of Canada. Consequently, we believe, that trucking is more vital to Quebec's economy than it is to any other province. Quebec has only 1.2 miles of railroads per thousand inhabitants, compared with Ontario which has 2.3; New Brunswick, 3.6; and some of the western provinces with up to 6.0 miles per thousand people.

This situation, perhaps, explains the fabulous expansion of road transportation in the province of Quebec. Out of 958 towns and villages, 537 have no direct railway service. Contrary to this lack of service by the railways who deliver only to specific locations, there is not a town or village in the province of Quebec which is not receiving regular truck transport service.

The public in general has shown

a preference for road transportation, and for reasons of economy and flexibility, is demanding more and more this type of transport.

Road transportation is no longer a seasonal activity. Snow removal on our highways has now become a well established practice in the various regions of the province of Quebec. Statistics in 1954 show that during the winter season our provincial government directly or indirectly took care of the upkeep of our roads for a total of 25,485 miles. This clearly illustrates that all centres of the province are now open to road traffic 12 months a year.

Regular and constant delivery service by truck even in winter time has allowed merchants to reduce their stock inventories, with the result that consumers can now place their orders for merchandise only as required. Being no longer obliged to keep large inventories of goods on hand has enabled merchants to save considerably; improve their credit standing by the reduction of bank loans, interest and storage expenses.

One of the main factors in the success of the trucking industry has been its ability and practice to extend services to the newly developed regions, thus maintaining direct connections between the different points, and also, assisting in the need for decentralization

of industry in urban centres.

Transport by road has not been the main factor -- as some people suggest -- in connection with the reduction of the business of the railways to their financial disadvantage. As a matter of fact, according to official statistics, the railways' volume of business has steadily increased from year to year since 1944. The president of the government-owned Canadian National Railways made the statement recently that this railway had increased its volume of business in 1955 by 10 per cent. The trucking industry simply took its share of the favourable economic development of the province of Quebec and Canada generally.

Labour. Truck transportation is an important factor in employment in the province of Quebec. Last year the industry had 162,701 trucks operating. If one considers that it takes at least a driver to operate a truck and in many instances the drivers have helpers; that the operation of trucks necessitate mechanics, warehousemen, etc. we do not believe it is an exaggeration to say that in Quebec alone, more than 200,000 persons earn their livelihoods from truck transportation.

Do motor vehicles, especially trucks, pay their fair share of taxation for road construction and maintenance? Certain economists have claimed that motor vehicles

pay too small a share of the costs of construction and maintenance of public roads. This propaganda, apparently comes from interests representing competitive forms of transport. We prefer to refer to the financial statements of revenue and expenditure of the province of Quebec as published in the statistical review of the Ministry of Commerce and Industry. According to these official figures, the province of Quebec obtained during the year 1953-54 the following revenues from motor vehicles:

Revenue

Gasoline tax	\$56,612,346.47	
Licences	<u>22,555,337.73</u>	
		\$79,167,684.20

Expenses

Budget of road department for road maintenance	\$33,117,277.30
------------------------------------------------	-----------------

The Department of Public Works which is responsible for the upkeep of government buildings and who also build bridges had a budget of \$11,162,628.87. We are informed that approximately half of this amount was spent on bridges, namely: 5,581,314.44

The amount allocated during 1953-54 for the construction of new roads was \$37,273,713.51. If we figure 6 per cent interest on the invested capital and a depreciation for the first year of 20 per cent, there was an expenditure of 9,691,165.52

Brought forward...	\$79,167,684.20
Total expenses of road department	<u>48,389,757.26</u>
Surplus of revenue over expenses of road department during 1953-54	<u>\$30,777,926.94</u>

THE CHAIRMAN: Do you think somebody owes you that \$30 million? It is quite a bit of money.

MR. ARCHAMBAULT: I did not say that; I am not saying it either.

The above mentioned revenues from motor vehicles do not include revenues from sales tax. This tax is 2 per cent in the province of Quebec plus 3 per cent in certain municipalities such as Montreal.

In 1954, 13,973 new trucks were registered in the province and were subject to provincial sales tax. At an average cost of \$4,200.00 each, the sales tax of 2 per cent brought to the province for one year alone, an amount of \$1,193,732 in revenue. The federal government also receives a share of taxation from motor vehicles. According to the Canadian Tax Foundation, the federal government received from motor vehicles throughout Canada a total of \$1,770,000,000 for the years 1930 to 1953.

It is, therefore, evident that motor vehicles pay their fair share and are a vital source of revenue to the province of Quebec and the dominion government. It is

contrary to fact to suggest that road users do not pay the entire costs of road construction and maintenance.

When it is considered that in Quebec the cost of a licence is based on the weight of a vehicle; that a transport truck consumes an average of 5 to 6 gallons of gasoline per mile; that their annual mileage is much higher than that of a pleasure car -- it is correct to state that trucks and busses pay a fair and adequate share of taxation.

It is due to free enterprise and initiative that the province of Quebec and its people enjoy and benefit from an adequate road transportation service on all its highways, main as well as rural, and we believe it is free enterprise and continued initiative that will sustain and encourage the progress of motorized transportation.

THE CHAIRMAN: Thank you. I think we will mark your submission separately as Exhibit 219.

MR. GOODMAN: Mr. Chairman and commissioners, I have no prepared submission. I have a number of facts that I would like to place before you, taking a different vein from that approach by my friend Mr. Archambault. I believe the commission is interested in who owns the trucks that operate over our roads. In the province of Ontario, according to the survey made

during one week in the month of July by the Dominion Bureau of Statistics it was disclosed that 3.7 per cent of all trucks on the road were owned by for hire, public carriers, and 32.4 per cent of the trucks on the road were owned by private industry, over the road service; 22.2 per cent of the trucks on the road were owned by farmers and the remainder of the trucks were used in the local cartage operations.

In the matter of taxation and registration, in 1954, that is the government fiscal year ending March 31, 1955, commercial motor vehicles in Ontario represented 17.7 per cent of the total number of vehicles in the province, and 50.5 per cent of the licence fees. The same 17.7 per cent of vehicles paid 43.4 per cent of the total gas tax. And on the over-all picture, taking licence fees and gas tax, which are the two main source of revenue from motor vehicles, we find that commercial vehicles in Ontario in 1954, representing 17.7 per cent of the total, paid approximately \$52,200,000 highway tax to the province, or 44.8 per cent of the total highway tax revenue.

Another important final figure, which I believe may be of some significance, is a comparison of the licence fee paid by an average car and that paid by various classes of transport vehicles. The average car --

and I am taking now the 8 cylinder car over 35 horsepower -- under the new Ontario licence fees recently increased by 40 per cent would pay \$21 car licence fee. That car, loaded with five passengers at an average of 150 pounds, would weigh 4,750 pounds. The heavier normal, long distance transport trucks; that is a tractor and a trailer, would be licenced for 66,000 pounds, and that vehicle would pay a licence fee; that is merely for registration, public carrier fees of \$955.50. It might be of interest to the commission, perhaps, to see these figures. They are included in a little bulletin that we put out for our membership earlier in the month, and they are graphically demonstrated.

THE CHAIRMAN: Thank you very much. Now, Mr. Magee, we are grateful to the trucking association for this submission and also for being able to help out the staff of the commission in these studies which they are making. If there is a difference in point of view between the trucking interests and the railways, that is something that I do not think we have any intention of getting ourselves involved in. I suspect that the country needs both railways and trucks, but there are a number of questions that have been raised, and I think we should try to clear up some of them. I will ask some questions. If you find

that I am too ignorant in the questions I ask you, if you will just point that out to me I shall ask something else.

I should like to refer to your appendix 3. When I first looked at this appendix the first question that occurred to me was whether in a computation of this kind it is reasonable -- I am referring to the second column -- to include construction on a 25 year amortization basis. The conclusion would be very different if you used either the cash basis -- well, if you used the cash basis -- the point I am trying to make is that we all know that expenditures on highways and roads are going to have to be continued at a very substantial by higher rate than has prevailed on the average over the past 25 years. It seems to me that when you use the 25 year amortization basis you are including amortization of expenditures over periods that included the depression, included the war years, when the expenditures on highways were infinitesimal as far as present day thinking is concerned, and that that is like anything else. When you get into the realm of costing it depends on your premise. It seems to me if you approached that way you would end up with a completely different set of conclusions.

The second comment that I had on this table -- that is the trouble of having

an accountant in a position of this kind -- was the validity of using an interest rate of 3 per cent. I just wondered whether that was reasonable.

Now, later on, when I was going into this more deeply I was told that this table originated in a submission by the Railway Association to the royal commission on transportation.

MR. MAGEE: That is right, sir.

THE CHAIRMAN: And that in their submission they used 4 per cent --

MR. MAGEE: That is right, sir.

THE CHAIRMAN: -- to amortize. And did they also add in a 1 per cent property tax of some kind? I am not clear on that.

MR. MAGEE: I do not recall, sir.

THE CHAIRMAN: Is this the table --

MR. MAGEE: This is basically --

THE CHAIRMAN: -- as it was submitted?

MR. MAGEE: -- up until the year 1944. It is the table that the Railway Association submitted to the royal commission on transportation. We are not wedded to the approach that they took in preparing that table. As a matter of fact, we have no policy on --

THE CHAIRMAN: We will leave that out of it. I raise two points. Should we not take the cash basis if current expenditures on

highways represent a more likely average from here in than the average of the last 25 years? My second question is, is not a 4 per cent rate, or some rate higher than 3 per cent more realistic?

MR. MAGEE: I do not think I can answer your first question, sir; although I would like to try. It may well be that the approach you suggest is a better one. We pointed out in the submission that this whole field is one in which virtually no scientific study has been made; and that if such a study commences we will be glad to co-operate with it. We have not formulated any views or policies on the subject yet, however.

As to the question of the 3 per cent, we thought that would be perhaps a fairer figure than 4 per cent. The provinces borrow money at 3 per cent.

THE CHAIRMAN: In other words, you use 3 per cent?

MR. MAGEE: Yes; incidentally, we were looking perhaps more at the American experience in that regard. I understand that New York Thruway Authority secure money at between 2.5 per cent and 2.7 per cent of interest on state-guaranteed bonds by the construction of --

THE CHAIRMAN: Yes; but conditions there are completely different. In

the first place, you can borrow money at lower interest rates; and in the second place, as everybody knows, interest on state bonds are income-tax free, which means that you can borrow money for municipal purposes, or state purposes, very much more cheaply than you can here. With respect to my first point as to whether this 25 year amortization approach is at all valid, you raised the question that there had not been many studies on this problem in Canada. That led me to another question that I wanted to ask. There is a reference on page 25 to --

MR. MAGEE: Is that the one of the 26th of June?

THE CHAIRMAN: No; you quote from the Canadian Pacific people who said:

"The contention which seems borne out by every investigation that has been made."

You state that you do not agree with that contention.

MR. MAGEE: Yes, sir. We do not. I do not remember many --

THE CHAIRMAN: I suppose the answer is there have been a number of studies in the United States?

MR. MAGEE: That is right.

THE CHAIRMAN: But as I understand

it, only one in Canada, which was made in connection with the Ontario study of 1938?

MR. MAGEE: That is right, sir.

THE CHAIRMAN: Now, at that time the engineers who made that study, as I understand it, recommended substantial increases in the licence fees that prevailed at that time. You do not know of any other studies that have been made in Canada. Am I correct in that?

MR. MAGEE: Only the ones that have been made by the Railway Association of Canada. They presented to the royal commission on transportation a very comprehensive study of the whole question of highway financing. It took up an entire appendix of their brief. But as we pointed out, we are prepared to participate in what we call an impartial study of the problem. We are not prepared to --

THE CHAIRMAN: Accept theirs?

MR. MAGEE: No.

THE CHAIRMAN: That is understandable. On page 22 you do refer to the study which the Canadian Tax Foundation made and published. I remember reading it 4 or 5 months ago. It was called "Taxes and Traffic", or "Traffic and Taxes".

MR. MAGEE: Yes, "Taxes and Traffic."

THE CHAIRMAN: They did not distinguish between passenger vehicles and

trucks, did they, as far as costs were concerned?

MR. MAGEE: No; I do not think they did. Mr. Goodman, do you recall?

MR. GOODMAN: No.

MR. MAGEE: They did include an analysis of various methods of assessing costs, how the costs could be applied.

THE CHAIRMAN: In Ontario recently have the licence fees not been increased by --

MR. MAGEE: Forty per cent.

THE CHAIRMAN: Quite recently?

MR. MAGEE: Yes.

THE CHAIRMAN: Was that done on the basis of a study or just sort of picked out of the air?

MR. MAGEE: Mr. Goodman knows all about that one. That is something which is very much in his mind just now.

MR. GOODMAN: I am sure that we cannot tell you where the figure came from; we do know that the Department of Highways, the Provincial Treasurer and the provincial economist had made certain studies which were of a confidential nature.

THE CHAIRMAN: They have not published them?

MR. GOODMAN: They were never published; and what yardstick they used in

arriving at the increase we cannot say. The fees were increased basically for all vehicles.

THE CHAIRMAN: By 40 per cent?

MR. GOODMAN: By 40 per cent; but for heavy duty trucks, that is, trucks of 14 tons and over they are increased by 60 per cent.

THE CHAIRMAN: I have heard the people around the Department of Highways say that the heavy trucks have added very substantially to the cost of highways. I was wondering whether they had been able to work that out on any sort of scientific basis?

MR. MAGEE: I have never seen any scientific information developed in Canada on that subject either by our own Department of Highways or any other outside interests.

THE CHAIRMAN: Do you think we can get it out of them? Have you ever asked for that study?

MR. GOODMAN: Yes, we have, and they are busy with their road building programme at the present time. No doubt within the next year or two they will be making a complete report. We understand when the present fees were placed into effect that statements were made by the Minister of Highways that they are conducting some studies to ascertain whether the various weight classes of vehicles are paying their fair share.

THE CHAIRMAN: I am not very knowledgeable on the subject of roads, to put it mildly.

MR. MAGEE: Neither am I.

THE CHAIRMAN: Then, we will see how we get along on this one. You said somewhere on page 7 of your brief that the railways can introduce truck competitive rates before filing them with the Board of Transport Commissioners.

MR. MAGEE: That is right.

THE CHAIRMAN: Presumably they have to have them approved subsequently, do they?

MR. MAGEE: Yes; they can file them and put them into effect under a regulation which has been made by the board, and that regulation appears at the bottom of page 11 of our submission.

THE CHAIRMAN: So that the board can then refuse to approve them?

MR. MAGEE: That is right.

THE CHAIRMAN: If it so wishes.

MR. MAGEE: By this time, however, the rates are in effect, and if they were pulled out within a week or two after they had gone into effect as a result of the board disapproving of them we would be the first people to know about it, and I am not aware of any competitive rate reductions that have been made by the railways.

that have been cancelled by the Board of Transport Commissioners after they have been put into effect.

THE CHAIRMAN: So that your point is that in effect they have got freedom of action?

MR. MAGEE: That is right, sir. I understand if a shipper telephones the railways in Montreal or Toronto and quotes a rate that a trucker has offered him for a certain movement that the railway is empowered right there and then under this leeway this regulation gives them to say: "We will meet that rate" or "We will cut that rate."

THE CHAIRMAN: As I understand it, you do not object to that?

MR. MAGEE: No, absolutely not, Mr. Chairman. We have made that clear to both the previous royal commissions, but we think the railway --

THE CHAIRMAN: You think what the railways have to say on that particular issue is redundant as far as you are concerned?

MR. MAGEE: Yes; and if that raises the point in your mind, sir, as to why we went into all this, it is simply this: we do not want the public to think that the present set of railway regulations is in some way conferring a favoured position upon the trucking industry. We do not think that it is

a good thing for the public to misunderstand the situation regarding competition. We say that down in the transportation market place the railways are just as free to compete with us there today as we are to compete with them ratewise and servicewise.

THE CHAIRMAN: When the railways talk about regulations and restrictions I suppose they sweep a lot of other things into the same subject.

MR. MAGEE: Yes.

THE CHAIRMAN: Like the Crowsnest Pass rate?

MR. MAGEE: That is right.

THE CHAIRMAN: And all the other questions that --

MR. MAGEE: Yes; and I realize that on many aspects of just their ordinary operations such as inspection of boilers and all of these kinds of things they are under very onerous regulations, and some of those regulations go back many years, and apply to conditions of many years ago. Our point here is these are not conditions that have to do with the railways' ability to compete with us on day to day basis in what they sometimes refer to as the transportation market place.

MR. STEWART: Has the Board of Transport Commissioners made it clear to the railways the kind of rates they would not

approve?

MR. MAGEE: Competitive rates?

MR. STEWART: Yes.

MR. MAGEE: I think that the only competitive rates that the board would not approve would be rates which they considered unremunerative; and I doubt very much if they would disapprove of those rates unless a complaint was filed with the board, and it was so held the rates were found to be unremunerative. For example, the Board of Transport Commissioners, as I understand it, does not consider a motor truck competitive rate merely a rate which comes down to the same level as the truck rate; it may be 35 per cent below the truck rate, and that to them is no ground for disapproving that rate, that it goes too low. It may be that the truck service is such an important element that the rate must go 35 per cent lower than the truck rate either to hold the traffic with the rails or get it back on the rails. There were competitive truck reductions made on the Toronto-Montreal run in 1954, in May and September of 1954 which were very precipitous reductions and far below the level of the truck rates. I am not complaining about that, Mr. Chairman, but I am merely dealing with this particular question.

MR. STEWART: The point is, the possibility that the rate may be disallowed

by the board is no real deterrent?

MR. MAGEE: That is what we feel.

THE CHAIRMAN: On page 42 you have a table showing "trucking trends". There are two columns in the middle, "All trucks, number of vehicles" and "'For hire' trucks". Under 1954 appear the figures 869, 183 and 69.5. Does that mean that in 1954 out of 869,000 trucks there were 69,500 trucks only that were for hire?

MR. MAGEE: That is our estimate.

THE CHAIRMAN: Where does the figure come from?

MR. MAGEE: Well, it comes from a number of sources, Mr. Chairman. In the first place, the Dominion Bureau of Statistics made an extensive survey of motor truck registrations in Manitoba, which is reference paper No. 59 of the Dominion Bureau of Statistics. In Ontario, which accounted for a very large portion of the industry, we get the actual for hire registration figures for trucks of all classes of licences from the provincial authorities, and we also obtain quite detailed information from the other provincial governments. I cannot give you the specific details, but we would be glad to make them available to your commission.

THE CHAIRMAN: Are all of these 66,000 trucks operating on an inter-city basis, or do they include the local stuff?

MR. MAGEE: Local pick-up-and-deliver trucks. What we call the total fleet of the for hire trucking industry which we are thinking of here as the over-the-road or inter-city trucking industry. Truck lines that provide service on inter-city and rural roads. It includes also trucks which are part of their pick-up-and-deliver operations in the cities.

THE CHAIRMAN: Do you happen to know what the proportion would be?

MR. MAGEE: No, I do not, offhand, Mr. Chairman. If you are interested in us attempting to make a breakdown of it we would be glad to try and do it.

THE CHAIRMAN: I was wondering whether the corresponding figure for 1980, 156,000, was the breakdown.

MR. MAGEE: It is an awfully difficult thing to do, Mr. Chairman.

THE CHAIRMAN: All right; I will not press it.

MR. MAGEE: If we could tell what the capacity of the vehicles would be in 1980 it would be, naturally a great help to us. You might have less vehicles than that figure if the capacity is greater.

THE CHAIRMAN: I will drop

that question. To come back to the question of costs, the reason I was curious about your table in Appendix 3 is this. It seems to me that the questions I asked are the ones that really matter so far as those conclusions are concerned. It is being suggested to us not only by your friends of the railroads, but others -- I will not say the truck industry; I will say the automotive industry generally -- has caused a number of problems for the municipalities, let alone the provinces. This morning we had a long submission from the Canadian Federation of Mayors and Municipalities; and if it was not for the automobile life would be pretty simple for them, perhaps not as simple as for some of the rest of us. But we had some discussion this morning of a suggestion which was made to us in Toronto by Mr. Fred Gardiner that there should be a special tax of some kind on all automotive vehicles operating in the greater Toronto area. I did not find any objections this morning on the part of the municipalities and mayors to that general idea. Have you any views about it?

MR. MAGEE: The Canadian Trucking Association has never formulated any views on that question, Mr. Chairman. It certainly is one that is before the trucking industry, but it is one that the provincial

trucking associations would deal with. I do not know whether either Mr. Goodman or Mr. Archambault have any comment on it.

MR. GOODMAN: We have some strong views in Ontario. We are "agin" it. We believe --

THE CHAIRMAN: I wondered whether you were "agin" it.

MR. GOODMAN: We believe that we are paying -- I am talking now of the motorist -- a sufficient amount of money in taxation; we think that a study of the submission made by Premier Frost would disclose that the subsidies that are paid out of the provincial highway fund to municipalities, to all types of municipalities in connecting links, for bridges and other road and street costs are adequate; and if municipalities need additional funds, and cannot convince the provincial government that they need additional funds, then, it should become a provincial subvention rather than a municipal tax. Once a municipality gets the right to tax vehicles you do not know where they are going to begin and where they are going to end, the effect it may have on business as a whole

THE CHAIRMAN: Mr. Grauer says he did not expect you to say "yes". I suppose you feel the same way, Mr. Archambault?

MR. ARCHAMBAULT: Yes.

MR. GUSHUE: How are trucking rates for freight established, by whom?

MR. MAGEE: You mean trucking companies?

MR. GUSHUE: Yes; I take it there are rates which are quoted to customers. How are those rates established, by each individual company, or do you submit your rates to the Board of Transport Commissioners, or how are they established?

MR. MAGEE: The situation varies from province to province, because our control is exclusively provincial rather than government control. In two provinces, Manitoba and Saskatchewan, they generally follow a policy of fixing the truck rates, the provincial government authorities, there is rate control.

MR. GUSHUE: That would be per pound of freight carried?

MR. MAGEE: Per 100 pounds. In British Columbia and Quebec there is also rate regulation of the trucking industry. We are on a filed tariff system. Rates are filed with the provincial board, and are not to be varied without the permission of the board. Mr. Archambault, I think, can give you more information on how the rate regulation works in Quebec, if you would like to have it.

MR. ARCHAMBAULT: In Quebec the law says that the rate must be filed with the

board before the trucking permit is renewed. So, we have an organization similar to the Canadian Freight Classification, called, in Quebec, "Transport Advisers Bureau", which belongs to our provincial association. This bureau advises truck operators on the classification, suggests tariffs; holds meetings, and so forth, and then the bureau files with the transport board the tariff suggested by the truck operators, and then it becomes the law, and the truck operator cannot change this tariff without the permission of the transport board.

MR. GUSHUE: That tariff would apply only to Quebec?

MR. ARCHAMBAULT: Province of Quebec.

MR. GUSHUE: If your truck took freight from Quebec to Nova Scotia --

MR. ARCHAMBAULT: The operators from Montreal operating in Ontario have to file a tariff from Montreal to Ontario or vice versa. If he holds a permit to go to the border and reaches Toronto, for instance, he has to file the tariff he is going to charge the Montreal shipper or the Montreal concern, with the Quebec Transportation Board.

MR. GUSHUE: Does the tariff take him outside Quebec? Is the tariff from

Montreal to various points outside the province, or is the tariff for truckage just within the province of Quebec?

MR. ARCHAMBAULT: It is also for interprovincial operation.

MR. GUSHUE: How can that be made binding?

MR. ARCHAMBAULT: Because the shipper, or the consignee, is a citizen of Quebec.

MR. GUSHUE: He is operating in part outside the province of Quebec. Could he not charge his rate for outside the province?

MR. ARCHAMBAULT: I agree it is one or the other, the shipper or the consignee who is a Quebec citizen.

MR. GUSHUE: When they go right across the dominion I suppose they have special rates?

MR. ARCHAMBAULT: Different rates; some operators running from Quebec to Winnipeg have to file a tariff with the transport board.

MR. GUSHUE: How long does it last?

MR. ARCHAMBAULT: It can be changed any time during the course of the year with the permission of the board, modified, increased or decreased. It is illegal to make charges other than those filed with the board.

MR. GUSHUE: Is there a different tariff for different operators?

MR. ARCHAMBAULT: Yes, it could be.

MR. GUSHUE: Each man could have his own tariff?

MR. ARCHAMBAULT: On some routes we just started to get organized with this Transport Advisers Bureau. On the same route the tariff would be the same from Montreal to Quebec City. If you took a similar distance, 170 miles, by another direction, the tariff could be different.

MR. GUSHUE: And it might be different for different truck operators?

MR. ARCHAMBAULT: Not at the present time, no. If the tariffs are filed through the Transport Advisers Bureau, this bureau, which corresponds to the Canadian Freight Classification interests, would have to standardize the rates and avoid discrimination amongst the shipping public.

MR. GUSHUE: If you put in a higher rate they would not permit it. Then, you do standardize. If you put in a tariff which is higher than the rate then in existence, they would refuse it?

MR. ARCHAMBAULT: To protect the operators under the bureaucracy of the Transport Advisers Bureau, while the bureaucracy is in

existence, they cannot charge a tariff that is more than this given to the Transport Advisers Bureau, and the Transport Advisers Bureau will have on file the different rates.

MR. GUSHUE: What is this Transport Advisers Bureau: Is it a tariff association?

MR. ARCHAMBAULT: Yes; corresponds exactly to the Canadian Freight Classification.

MR. GUSHUE: Are trucks regarded as common carriers? Do they come under the law the same as the railways?

MR. MAGEE: They do in some of the provinces. There are regulations which provide that the truck operator will carry any and all freight offered for movement. It is a provision much the same as you find in the Railway Act with respect to the railways. Obviously, however, the trucker can only carry what that particular truck will carry.

MR. GUSHUE: There is an obligation on the part of the railways of which we are aware. I was wondering, if a trucker was asked to carry grain, would he carry it?

MR. MAGEE: At the present rates on grain I do not think he would, sir.

MR. GUSHUE: They are not common carriers. Suppose you were to ask a truck

operator, or suppose a truck operator of the Crowsnest Pass were asked to pick up grain and bring it east, would he have to?

MR. MAGEE: He would -- surely, Mr. Commissioner, if he was asked to do that he would be asked to quote a rate on it, and I am quite sure the rate would be such that he would not be handling the traffic.

MR. GUSHUE: Then, he would have the right to quote his own rate, which the railways have not got?

MR. MAGEE: Not on grain, no.

MR. LUSSIER: What about pulpwood transportation? Have you any rate?

MR. ARCHAMBAULT: In Quebec on the pulp transportation we do. Gravel hauling on the roads is not subject to transportation regulation, so there is no tariff on that.

MR. LUSSIER: No tariff?

MR. ARCHAMBAULT: No tariff.

MR. GOODMAN: I should not like the answer that Mr. Magee gave that trucks do not haul grain to stand. There are trucks in various parts of the country hauling grain in considerable amounts. Grain is hauled by trucks in Ontario from the lake head to inland mills. That is increasing. They are hauling it in specially constructed tank trailers from Sault Ste. Marie to Collingwood and to places like Peterborough and other mills within the

province.

MR. GUSHUE: Is a trucking operator allowed to choose his freight? If somebody asks him to carry commodities that he does not want to carry, can he refuse? There are high-priced and low-priced commodities?

MR. MAGEE: We are on the question of picking and choosing freight.

MR. GUSHUE: Let me put it in a slightly different way. The trucking companies have not got the equivalent of freight sheds to which people bring freight and put it there and the railway companies have to carry it? The freight is picked up at the warehouse, or whatever it may be?

MR. MAGEE: By the pick-up-and-delivery trucks.

MR. GUSHUE: You have no big sheds to which people bring freight, or have you?

MR. MAGEE: Yes; we have some very large freight terminals particularly for our more specialized operators.

MR. ARCHAMBAULT: In the province of Quebec if you have a general trucking permit, you have an obligation to take all general merchandise.

MR. GUSHUE: Then, you are common carriers in that province?

MR. ARCHAMBAULT: Yes.

MR. GOODMAN: As far as the general picture is concerned in Ontario -- I think generally it applies -- if you are trying to say the railways have to carry anything and the trucks can pick and choose their freight --

MR. GUSHUE: No; I am just trying to find out.

MR. GOODMAN: There are various types of trucks and various makes. We have not one truck operator who has trucks that can carry grain and coal and cars and household furniture. One may be a specialist on household furniture; another may be a specialist in coal hauling, and another in grain. If you take the trucking industry as a whole, there are types of trucks that can carry anything that can move.

MR. GUSHUE: Would they have to provide the truck? If a man says he wants to have some commodity carried from one point to another, can the operator say: "I have no truck to do it." Does he have to take the freight?

MR. GOODMAN: If he is licensed as a public carrier he is under responsibility to provide the service. He can only provide the service to the extent of the facilities that he might have. A man's finances may permit him to have only two trucks, and he may have demands for 10. He can go only as far as his facilities.

MR. GUSHUE: He would just have to take the order and fill it when he could?

MR. GOODMAN: That is right, or get some other carrier to help him.

MR. MAGEE: I notice in the Canadian National submission that they expect that the future will result in truck operators covering the whole length of commodities. That appears on page 3 of their submission. They say, "looking to the future the railways' ability to raise revenue through increasing volume of traffic will be affected by their competitors operating throughout the whole range of commodities." I think that is what is coming.

MR. GUSHUE: Do the trucking companies publish their rates?

MR. MAGEE: In Quebec, Manitoba, Saskatchewan and British Columbia, where the rates are regulated, they are available to the shippers, and they are published in tariff form by companies in other provinces, but just these four, Quebec, Manitoba, Saskatchewan and British Columbia, where the rates are under provincial government control. I did not answer one question that you asked, sir, about the Board of Transport Commissioners. They have no control over us.

MR. GUSHUE: You really did not answer. I had forgotten the point.

THE CHAIRMAN: Thank you very

much, gentlemen. We are grateful to you for your submission, and also for the way you have answered the questions. We are convinced you are here to stay.

THE CHAIRMAN: Mr. Halliday,
we will mark your submission Exhibit 220, and
if you would like to start you may do so.

MR. HALLIDAY: Mr. Chairman,
and gentlemen, the Canadian Lumbermen's
Association appreciate very much this
opportunity of coming here this afternoon and
explaining their brief. Mr. LeClair, who
wrote this brief, is with me this afternoon, and
he is going to touch on the high spots of it.
Mr. LeClair.

MR. LECLAIR: Mr. Commissioner,
and gentlemen, the Canadian Lumbermen's
Association is very anxious to be of whatever
assistance it can to this commission. It did
not know exactly what information you needed.
It is making this submission not with a view
of particularly asking for anything, or
complaining about anything, but simply to
submit to you the thinking of the trade in the
hopes that you in your wisdom and judgment may
contribute to the answer to some of the
problems.

The Canadian Lumbermen's
Association, sir, in the first place is
unique in that it is a national body of
lumbermen of Canada, and it represents
manufacturers, wholesalers and retailers. It
draws its membership from every province in
Canada. We do not today speak for the

manufacturers on the west coast; they have presented their own brief.

I hope just now simply to emphasize or touch on some of the points. Naturally our first consideration is the preservation or perpetuation of our supply of raw material. We are a little afraid, sir, that there is a danger in the economy, a temptation to over-emphasize paper in our economy. I have to be very careful on this particular point. Quite a number of the members of the Canadian Lumbermen's Association, very good, heartily supporting members, are members of the pulp and paper industry; but we feel that lumbering not only is one -- is next to the fur industry, the oldest industry in Canada, but it has contributed more up to date probably to the Canadian economy than any other individual industry; that in the future it is bound to contribute very materially.

We cannot think of any facet of public life that does not need the lumber industry. Particularly our agriculture would suffer materially if it were not for the lumber industry providing a local market for some of the farm products, employing labour and providing a cash income.

We feel that our railroads would be impossible without lumber. You cannot picture a railroad without ties; a transportation line without poles. We cannot picture any

manufacturing industry without lumber. It is the principal material in our housing; and the first material that goes on any construction job is lumber. One of our tables is an attempt at estimating the future needs of lumber in housing. It is true that there is a tendency to use less lumber in housing in Canada as elsewhere, but even so the over-all market for lumber is increasing unquestionably. And lumber is going to be very essential to the Canadian economy. We are somewhat afraid, in the matter of provision of raw material, of the encroachment of pulp and paper.

You will see from some of our statistics that already 57 per cent of the available area is assigned to pulp and paper.

Now, we have no complaint about that if there is a proper provision for the supply of saw timber; and we would like to point out that it is not only the supply of existing -- the allocation of existing timber we have in mind. What we have in mind is the provision, in the regeneration of timber, for growth sufficiently large to make lumbering economic. Pulp can utilize a log $2\frac{1}{2}$ inches up. It is very questionable whether a log under 10 inches in diameter can be economically converted into lumber. And we very definitely need a lot of logs of much greater diameter.

We feel that the whole provision

of raw material is jeopardized -- maybe that is too strong a word -- by the lack of a forestry policy in Canada, by the lack of what we term co-operation between the federal government and the provincial governments, and among the provincial governments, and between governments and industry as well. We feel that the future of Canada's forests, in large measure, depends upon such co-operation.

We are sorry -- we deplore the fact that the Canada Forestry Act has not been made use of to a greater extent. We feel that the federal government draws large revenues from the lumber industry directly in income tax, and indirectly from all the industries which are subsidiary to it. And we feel that some of that revenue ought to be plowed into our forests. We feel that the Canadian Forestry Act was an honest attempt on the part of the federal government to make provision for that. We feel that we need greater protection in our forests. We pay tribute to the extent, in fire protection and in other directions, to which the provinces have gone, but we submit that a great deal remains to be done.

We feel that in the provincial field altogether too much of the capital derived from forests is dissipated in other directions. We feel that it is not good economics; that more of that capital ought

to be plowed back into the forest itself. We feel, and we feel particularly, that in the forest field we need greater research; we need greater research in forestry itself, and we need more research in forest products.

We pay a very sincere tribute to the organizations providing such research, but we feel that our future is dependent upon much greater emphasis in these directions.

Take the question of regeneration species alone. Probably our two most valuable species in Canada are white pine and yellow birch. There is a foreseeable end to our supply of white pine, and I am afraid that the same statement is equally true with respect to our supply of yellow birch.

White pine has two enemies; white pine blister rust and the pine weevil. We cannot help feeling that if the same effort had been expended upon a study of blister rust as was expended upon rust in wheat, we would not be faced with a complete loss of our white pine forests. We feel that there is still time maybe to remedy that.

On the problems affecting regeneration of yellow birch considerable has been done in recent years, but we feel that we ought not to wait until we have lost those forests before taking adequate means to replace them.

With respect to forest products research, again we pay sincere tribute. The Forest Products Laboratory has been of great help to the lumber industry; but if we are to compete in world markets, and curb the tendency to dissipate our forests, and the tendency toward rising prices, we have to provide means for the utilization of all our timber, and we feel that there is room for a greatly expanded effort in forest products research. Our president, in his presidential address a week ago, made a plea for greater immigration in Canada.

There was a shortage of labour in the lumber industry this past winter, this current winter. There is a problem facing industry immediately, namely, the salvage of the Chapleau burn. Possibly 300 million feet is salvagable, if it can be salvaged in time. There is very great doubt as to whether or not we will obtain enough labour to get out even half that amount.

We feel that the trade is peculiarly handicapped in Canada because of its small population; we feel that we need a larger population. Our greatest competitor at the moment is Scandinavia, with Russia probably the most potential future competitor. The public complex in northern Europe is one of woodmindedness, wood consciousness. Their

whole economy is geared to their principal industry, wood.

Looking around this room I cannot help but think its beauty impresses us all, but how much Canadian wood is in it? I doubt that there is any Canadian wood.

MR. GRAUER: Looks like British Columbia wood to me.

MR. LECLAIR: I doubt if there is any British Columbia wood. I think from the government point of view, in our own interests, in all our interests, we should be thinking Canadianwise with respect to lumber and its uses.

We need a larger population in Canada if Canadian lumbering is to compete successfully in the markets of the world. We need a greater increase in industry; we need it to utilize all our, what we call waste just now. Our competing countries do not have to export their lower grades; they are consumed at home, as a market is found for them right at hand. Our transportation costs are getting most prohibitive.

There is a suggestion in our brief that the Crowsnest Pass situation be reviewed. We know that we are dealing with dynamite. As an industry we do not question the need, or the right of the western farmer to special consideration. What we do question is

the fact that the lumber industry in large measure has to pay for that relief; and by so doing is being prejudiced in its competition with other materials and other countries' products.

Our ocean rates are terrifying. I do not know that we can do anything about that, but we simply point out to you our difficulty. Our competitors, so far as the British market is concerned, can pile their lumber on a drifter and float it across the North Sea and deliver it locally all around Great Britain. We have to ship it by ocean freight great distances to large ports like Liverpool, Hull or London, and then it has to be distributed in Great Britain.

On the subject of taxation, we have taken the opportunity, sir, of appending to our brief the Timber Industries brief, prepared in 1945. We feel on this subject of timber depletion there is great unfairness. Some companies are so situated that income tax in this connection is virtually a tax on capital. In our distribution departments within Canada, we are meeting with difficulty in lumber distribution due to the very greatly mounting costs of lumber. The Canadian people have been spoiled. They have obtained their lumber in the past all too cheaply. They got their stumpage practically for nothing; they

had no other charges such as we have to bear, fire and similar charges. Lumber wages were ridiculously low compared with today's wages.

I personally can remember when bush wages were \$11 a month. I personally can remember when saw mill wages were \$1 a day, with a 10 to 12-hour day. Many of our firms are paying \$1 an hour and more than that now. The industry is not criticizing the minimum wage laws, nor the hours of work laws, but we are stating facts, that we have to contend with such matters today. The production of lumber is a very costly business. More than any other product it needs great man-handling. Thousands of pieces are handled in the bush; millions of pieces are handled in the sawmill. There has been considerable mechanization, and improvement in mechanization in recent years. We are striving in every way possible to continue that improvement. But in the final analysis we are going to have a great deal of man-handling at high labour costs.

It is becoming increasingly difficult for retail yards to stock large stocks of lumber. I have seen an almost complete revolution in the distribution end of our business. My president's company and a few others are among the very few now who continue to maintain distribution yards. In large measure lumber is shipped directly from the sawmill

to the consumer, instead of being warehoused in some distribution yard.

With it all our costs are high, and are going to be higher. We feel that our salvation is going to be in large measure in research, research in forestry and research in forest products.

I think, sir, that is briefly summarizing our brief. As I have mentioned in the brief, my office is at the disposal of the board and your staff at all times. Any way we can help, or any information we can provide you, or get for you, it is yours for the asking.

THE CHAIRMAN: Thank you very much, Mr. LeClair.

MR. GUSHUE: You mentioned research; are there any plans of the industry for research at the moment?

MR. LECLAIR: Mr. Commissioner, I think it is worthwhile just explaining the situation. Except in Nova Scotia, the industry does not own the timber land; it is a very insecure tenure to the land. The timber is the property of the crown. Any plan can only be a co-operative plan between government and industry. And we have worked co-operatively with all the provincial governments, and with the federal government, and we stand ready to co-operate.

MR. GUSHUE: I was just wondering whether there was any substantial body of research going on.

MR. LECLAIR: There is a substantial body of research, but we feel, and we submit, quite respectfully, we do not think it is adequate.

MR. GUSHUE: Is that research into wood products as well as --

MR. LECLAIR: Into both forestry research and wood products research. We have a very efficient laboratory in Ottawa and one in Vancouver inquiring into wood products research, but you can appreciate, sir, the extent of that research is limited by the personnel and the appropriation available.

MR. GUSHUE: We had some evidence I think last week from people who make other housing materials and so on, and they seemed to have the feeling that wood would hold its own; that other uses would be found for it, and so on; that it would always be in demand for housing purposes, and so on.

MR. LECLAIR: We believe that, but we cannot, as good businessmen, we cannot take things for granted. And what is more, sir, there is a third kind of research developing, marketing research, and our competing materials

are spending large sums of money in that direction. They spend millions where we spend hundreds of dollars. And they are cutting us out in fields where they have no business cutting us out, where our material is better for the purpose, and in many instances it is cheaper.

MR. GUSHUE: Some of those wallboards, and so on, that are being made now are being made from waste products?

MR. LECLAIR: You will notice, sir, in my brief I have predicted that there is going to have to be an increasing degree of regeneration of the lower grades. I had that in mind partly. We are making what we call "bond wood", wide boards out of narrow ones by a gluing process; long out of short ones and such like.

MR. GUSHUE: Press boards?

MR. LECLAIR: Yes; and there is press board and various types of wallboard which are derived from mill regeneration of waste just now; but I am afraid that some of even the lower grades of lumber that we sell now as lumber will have to be regenerated, so that problem of manufacturing is becoming increasingly grave, and the need of integration of industry and the difficulties in that connection are great.

In Scandinavia, where you have a compact country, very few miles dividing, in

many instances no miles at all, between the sawmill and the pulp and paper mill, integration between these two industries is easy. Here our problem from beginning to end is one of transportation; transportation in getting our logs out of the bush, getting the lumber marketed, and getting waste to the consuming industry.

MR. GUSHUE: A constitutional problem, too?

MR. LECLAIR: Yes, a very difficult constitutional problem.

MR. GUSHUE: You referred to the fact that over-emphasis was being placed upon the manufacture of paper newsprint, and so on. Do you want to make an observation on that?

MR. LECLAIR: No; I simply wanted to draw attention to the temptation. I am referring to an occasion when I gave evidence before a forestry inquiry, and I was asked this plain question: "Would you compare the economic value of a saw and pulp log"? Well, now, the answer that was expected, and the obvious answer, is that a pulpwood log is immediately worth much more than a saw log. The whole contents of the log can be used in pulp, with the exception of the bark, and the price derived from it is much higher than the price of an equal volume of saw wood; but I do

not think, in fact, I maintain, there is no fair comparison there.

MR. GUSHUE: The use is complete.

MR. LECLAIR: Yes; the end use of your pulp log in the vast majority of cases is newsprint, and a newspaper is read once and becomes waste again. Lumber goes into a house and provides shelter for a century; it goes into the making of laths for shoes; it goes into the building of jenny spinners and looms in textile mills; it goes into railway ties; it goes into every form of industry. And part of our economic advantage in competing with other nations is our large supply of lumber, and the cheap supply in comparison.

MR. GUSHUE: Is it true that Canada is the greatest lumber-exporting country in the world?

MR. LECLAIR: No; but Canada is the greatest in the Empire, in the Commonwealth.

MR. GUSHUE: Yes; I knew that. I wondered if it was the greatest in the world, also?

MR. LECLAIR: No; I would not say that. It may have occurred in special years, but it is not normally the case. Then, when we are talking about the Commonwealth, I have to draw attention to the fact that in time of war the lumber industry is a very necessary

part of defence, and the lumber industry is not like some other industry that can be expanded over night. You have got to have at hand a healthy industry. Comparisons sometimes are odious, but note what happened in the United States and Canada during the last war. Canada managed to expand her lumber industry. The United States lumber industry dropped off very materially, very seriously, and the United States war effort would have been seriously handicapped without a supply of lumber from Canada. As a matter of fact, the Timber Control in Canada arranged for almost a three-way supply, lumber for Canada, the United Kingdom and the United States.

MR. GUSHUE: You referred in your brief -- I think you mentioned it also in your remarks -- to the desirability of having some form of allocation of the use of wood. Does that mean you fear that some wood that might be turned into lumber and wood products is going unnecessarily into the manufacture of paper?

MR. LECLAIR: No, we do not claim that; but we claim there is a temptation and a danger of that. Many provinces -- a number of provinces, at least -- have taken safeguards against that; but what we would like to see is a projection of that safeguard into the future so that we know that provision

is being made for the growth of saw timber,
not merely for the growth of timber.

MR. GUSHUE: That would have to
be a provincial matter?

MR. LECLAIR: That would have to
be a provincial matter, definitely.

MR. GRAUER: Do you visualize
allocation?

MR. LECLAIR: No. As a matter
of fact, I am hopeful, as I mentioned in my
brief, of an arrangement among the forestry
products industry. The pulp and paper industry
is using more of our waste each year. I think
that eventually you will see the need for the
complete economic utilization of all the wood
content. But there is a great temptation
just now, and it is evidenced by the decline in
the emphasis being given by the pulp and paper
companies on the importance of their sawmill
departments. It is human nature to put your
effort where you can get the largest amount
of immediate return. On that particular point,
in my brief I laid emphasis on the danger of
regimenting an unwilling industry into a line
of endeavour that they do not like. That could
do a lot of harm to the lumbering industry.

MR. GUSHUE: You mentioned that
you were fearful of the long-time supply of
logs?

MR. LECLAIR: Yes; we are definitely

fearful of the long-time.

MR. GUSHUE: What would be the solution of that difficulty?

MR. LECLAIR: Our solution to that -- we do not pretend to have a solution, but we think if there is good intent on the part of government and industry generally, and if there is a little -- I would not say "little" but considerably more -- money spent on research that we can effect such an end, we can ensure such an end.

MR. GUSHUE: In a new forest the tendency would be to use that which you have at hand suitable for a sawmill?

MR. LECLAIR: The great tendency is to utilize what is closest at hand and can be got out most cheaply, or the largest immediate return, and that is to turn it into pulp and paper.

MR. GUSHUE: Once the present forests are cut, what is the situation? In a new forest, is it true that you have to wait longer on the average for a tree for lumber purposes than for pulp purposes?

MR. LECLAIR: That is the difficulty; we have to wait a great deal longer. A tree of a few inches in diameter is suitable for pulp. We have to have up to 10 inches, and in many cases much more, in diameter suitable for lumber.

MR. GUSHUE: How do you get around that?

MR. LECIAIR: Well, my suggestion is that there be a facing up to the situation, and not all our forestry policies provide for that.

There is one point, sir, with my problem that I would like to dwell on, and that is the subject of export. We are definitely interested, intimately interested in the domestic market; but we are also interested in the export market. Normally we export 50 per cent or more of our production. Last year we exported 60 per cent. Formerly the greatest amount of our export went to the United Kingdom. Now it goes to the United States. We see no discrimination in advocating and encouraging that export, and in also encouraging the fullest possible use at home.

THE CHAIRMAN: If you get more money exporting newsprint why would you want to export lumber?

MR. LECIAIR: Because we can refer you back to a very few years ago when we did not have a market for newsprint; we have always had a market for lumber, and lumber is a necessary commodity in the markets of the world. Newsprint you can argue otherwise.

THE CHAIRMAN: Not very convincingly, though, surely. You may think it

is a nuisance. How would governments operate without lots of paper?

MR. LECLAIR: I forgot about red tape and such like; though there is certainly a need for paper.

No, we feel we have established markets for lumber; we feel that we have over-matured forests. As a forester I take exception to the criticism of Canadian foresters in drawing comparisons between them and European forestry. Scandinavia came through the same difficulties as we did for hundreds of years, until they had to use man-made forests. We have over-matured forests that we have to crop and sell or we lose. We have lost several billion feet of birch in the Maritimes within recent years; simply because it was an over-matured forest nature reclaimed it. We feel that we have a very suitable asset in that lumber, and much of that lumber is not economically turned into paper. For that matter, a pulp and paper mill does not desire to turn a large pine log or a large hardwood log into paper.

MR. LUSSIER: Mr. LeClair, your brief is very interesting to a man like myself. You have mentioned that the lumber people, not the pulp people only, have an interest in the forests of Canada, and that they are not taking enough advantage of the

Canada Forestry Act. Can you tell me the reason why they do not?

MR. LECLAIR: I do not know.

That Act, as I understand it, is simply an act enabling the federal government to provide assistance to the provinces. It is of a permissive nature; the provinces have to request, and there does not seem to have been much appeal from the provinces -- I mean all provinces.

MR. LUSSIER: Do you think there might be some amendments to improve the Act?

MR. LECLAIR: I do not think the Act needs amendment. I think there is a fear, sir, of loss of autonomy; I think there is a fear of dominion intrusion, and I think that is ridiculous, personally. I think that there are many spheres -- as a matter of fact, personally, and I am sure I am expressing the opinion of my board, we would not like to see the dominion enter into the provincial field, or the provinces lose any autonomy in that particular. But we do feel that the federal government has a responsibility to help in the protection of existing forests, and in the perpetuation and provision of future forests, and we think that Act provides the vehicle for such help, and we are very astonished that more use has not been made of it.

MR. LUSSIER: You mentioned that we need more population, and you said that

this winter and probably next year the lumber and pulp and paper industry would be short of bush labour?

MR. LECLAIR: Yes.

MR. LUSSIER: So you would like to have some imported bush labour as immigrants?

MR. LECLAIR: We would like to have heavy labour, sir, people who are not afraid to do manual work. We are not particular where they come from, but we feel that this Canada of ours at this present stage is not advanced to such a stage it can go without large forces of manual labour.

MR. LUSSIER: Do you not see any danger in getting your labour from immigrants? For instance, I understnad that the bush labourer gets only a temporary job for a few months a year, at the most six months a year. Now, what are you going to do with the manual labourer --

MR. LECLAIR: I think that your construction industry could absorb him.

MR. LUSSIER: Just manual labour?

MR. LECLAIR: No; we are arguing for two things. We are arguing for a greater population so that we can have a larger domestic market, and make our production economic, and we are arguing for an assurance of sufficient manual labour to keep our industry going. We are afraid that there will be a dearth of manual labour. We are not advocating any

influx of labour with a view to bringing down wages, or anything of that nature.

The Canadian Lumbermen's Association does not enter into wage disputes, and has no interest in arguing in that connection; but we do feel that the safety of the industry needs a greater labour force.

MR. LUSSIER: In your brief you made mention of the proper attending of forests and suggested that an objection was the kind of tenure of forests that exists at the present time. Did you mean Quebec and Ontario?

MR. LECLAIR: Yes. I am not criticising the tenure; but I am saying that the present form of tenure has put a brake on the expenditure of capital on the part of the lumber operator on reforestation and such matters.

MR. LUSSIER: Why?

MR. LECLAIR: Because the forest is not the property of the lumberman; it is the property of the government. We are cutting on various forms of leases under various forms of conditions, and some of them -- well, I think Mr. Gordon, an accountant, and some lawyers would find them very insecure, if the exact wording of the Act, or the exact wording of the contract was lived up to.

MR. LUSSIER: By your customs, and by some customs I did in the past. I have

seen many, many big forest properties in Nova Scotia, New Brunswick, Quebec, and Ontario, private properties, which were no better attended, maybe they are not so well attended, as leased property.

MR. LECLAIR: I am not arguing for private ownership of forests, and never have.

MR. LUSSIER: You said that tenure was an obstacle to the proper attending.

MR. LECLAIR: Probably, sir, a few years ago there was not much evidence of need, the need of today, or much evidence of markets. Lumber was at that time, in large measure, in the opinion of the general Canadian public, a glut on the market. It is only within recent years that we have become conservation-minded, and that applies to governments equally with private individuals and vice versa. And you will notice in my brief I have mentioned the danger, the threat to the industry from the depletion of private lands, and particularly farm woodlots, that is becoming very observable, and I think it is very reprehensible. I think, God knows I always have been accused of being an individualist and in no way leftish, but I feel that the time is coming when there must be some form of government control over private

forest lands in the interests of forestry and in the interests of the Canadian economy generally.

You have your Small Trees Act in the province of Nova Scotia which is working quite successfully in the province of Nova Scotia, the one province fee simple is the usual form of tenure.

MR. LUSSIER: As a token of consolation may I tell you that probably the walls of this building are veneered. In between the two sheets there must be some Canadian wood.

MR. LECLAIR: There must be some Canadian wood, but why hide your light under a bushel, sir?

MR. LUSSIER: Than you very much.

MR. LECLAIR: Quite frankly, when I made that remark, sir, I was speaking more from my personal feeling and emotions than otherwise. Lumbermen are lumbermen, and we have the obvious relations in our exchange between our southern neighbour and such like. We consider their species and ours are complementary rather than competitive. At the same time we like to use Canadian species. Thank you, sir.

MR. GRAUER: Did the United States have any better luck with their campaign

to control blister rust than Canada?

MR. LECLAIR: No; they have not. I do not know whether their approach was right. During the depression, as you know, they spent millions of dollars; New York state spent a million trying to eradicate ribes; that is, gooseberry and current plants. I do not know whether that is the answer. That would seem to be the only remedy, and they went after that. My complaint, and our industry complaint, is that we think that insufficient study is being made in this.

MR. GRAUER: Their attack was not very successful?

MR. LECLAIR: No, it was not.

MR. GRAUER: On page 9 you have a suggestion about using the armed forces in fire fighting. Has your association ever put that forward?

MR. LECLAIR: Yes, we have, sir.

MR. GRAUER: With what success?

MR. LECLAIR: We put it forward in the form of a resolution some years ago. We did not receive any reaction. Again I do not know whether that is the answer; but I do know the answer is the provision of sufficient men in sufficient time, and it seems uneconomic, in our opinion, to have another large force of civilian labour held unoccupied in readiness. We feel, and we so expressed in our resolution

some years ago, to the government, that in the event of an attack on this country the natural thing to expect was the enemy, particularly an enemy that was as forest-minded as ours, would know our vulnerable point, and that is the most vulnerable point, and that our army would need to be fighting forest fires, and it would not hurt them if they had some experience.

THE CHAIRMAN: Thank you very much indeed, Mr. LeClair and Mr. Halliday, both for your brief and for the way you have answered all these questions.

We will adjourn now until 10 o'clock in the morning.

---The commission adjourned
at 5 p.m. to meet tomorrow at
10 a.m.

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ROYAL COMMISSION

ON

CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

OTTAWA, ONTARIO

FEBRUARY 29, 1956

VOLUME 39

Ottawa, Ontario,
February 29, 1956

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Her Worship Charlotte Whitton, C.B.E., Mayor
George H. Nelms, Controller,
Paul Tardiff, Controller,
E. W. Jones, Controller,
Roy Donaldson, Controller,
J. H. Lowther, Commissioner of Finance,
Gordon Medcalf, Q.C., City Solicitor,
L. W. Pillar, Director of Planning and Works,
W. E. MacDonald, Commissioner of Water Works,
D. C. Rowat, Carleton College,
City of Ottawa

THE CHAIRMAN: I think we might get started.

Dean Sisam, we will mark your brief Exhibit 221, and if you
would like to start in, we are all set. The rule is you
may sit down or stand up, or anything you like.

DEAN SISAM: Thank you, Mr. Chairman.

THE CHAIRMAN: I might say that all the other members of your profession have stood up. They say they think better on their feet. I was not thinking of foresters, I was thinking of the teaching profession.

DEAN SISAM: Oh, I am surprised. Mr. Chairman and members of the Commission, I think perhaps in the first place I should introduce the members of the C. I. F. that are here this morning. Beginning at the left, there is Dr. Prebble of the Division of Forestry Biology of the Science Service; Mr. S. W. Shortinghues of Winnipeg; Mr. E. S. Fellows of Fredericton; General Kennedy of Ottawa, and Mr. C. R. Silversides of Toronto.

Now, Mr. Chairman, this brief that the Canadian Institute of Forestry have submitted to you is rather long. Nevertheless, I do think that I should read a good deal of the text.

THE CHAIRMAN: Yes.

DEAN SISAM: And the suggestion I would make is that I would summarize where I can and read in full where I think it is most important, if that is agreeable.

THE CHAIRMAN: Fine.

DEAN SISAM: Beginning with page 1, we are pointing out that the Canadian Institute of Forestry is the only national organization representing the professional foresters in Canada. And in that connection I might point out something that might be of interest. It is just fifty years since another commission, in that case a provincial commission, and its report, led to the setting up of the first forestry school in Canada, and the main purpose the Royal Commission had in mind at that time

was speeding up the application of scientific management to the forests of Canada, so it is fifty years since that recommendation was made. We are reaching the half century mark, so this study which is being made by your Commission is particularly significant at present. It is also fifty years since the first and only national conference was held in Canada, Federal conference, held at that time under the chairmanship of the then Prime Minister, Sir Wilfrid Laurier.

MR. GRAUER: Was the school set up at that time?

DEAN SISAM: The school in Toronto was set up in 1907, a year following the report of the Commission on Forestry Affairs.

THE CHAIRMAN: Quick action for a Royal Commission!

DEAN SISAM: The first three paragraphs are of a general introductory nature, and in the fourth paragraph on page 2 we indicate what we are not attempting to deal with, the points we are not touching on in this brief. We are not interested in this brief in indicating the contribution that the forests are making to our national economy, to exports or to foreign trade, and that is because we understand that other bodies are dealing with that very effectively in submissions being made to this Commission. Suffice it to say that the demand for forest products and increased productivity over the last few years has been indicated on page 28 of our brief incidental to the discussion on another subject, and there I would just read:

In the seven years following 1945, the primary production from Canadian forests increased by 40 per cent -- this is on page 28 at the top -- whereas the increase in the twenty years prior to 1945 was only $12\frac{1}{2}$ per cent.

I think there is every indication that that trend will continue, and in that connection it might just be noted that in the past and at the present time the contribution of the forests to our economy is in terms of the established natural forests. In the future it will tend more and more to depend upon the productivity of forest land, the ability of that land to produce and reproduce successive crops of timber.

I think, of course, the significance of classifying the forests as a renewable resource is tied in with our management of that resource, and what we are concerned with in this brief is the discussion of problems that we feel affect the management of those forests and the problems that affect our future economy.

So at the bottom of page 2 it is pointed out we want to emphasize those problems which foresters alone cannot solve; problems that implicate businessmen, legislators, taxation authorities, and economists as well.

~~It~~ It is not enough that we should know how to manage our forests. It is imperative that conditions should exist which will permit us to accord to the forest that intensity of management needed under any given circumstances to maintain Canada's competitive position in world trade.

Now, the next page, the three pages following that, deal with certain unique features of forestry,

features which affect our attitude towards forest management, and, to some extent, determine some of the problems which are involved, and I might refer in some detail to these three pages. One of the important factors is the time factor, and that is referred to at the bottom of page 3.

The special importance of the "time" factor in the management of the forest sets this resource apart from all others. It has a bearing on taxation, interest rates, the investment of capital, the appraisal of risk, and land tenure. Perhaps above all it has a bearing on human thinking because long-range prospects are apt to be dull and abstruse in contrast to crisp and stimulating short-term ones. That is very significant. Trees are the only important crop which any one man is not likely to see grow from infancy to maturity in his own adult lifetime. This fact is of the greatest significance since it influences the deeds of individual men and even corporations.

Then, I might go on to the next paragraph, which deals with another feature of forests which is unique, or, at least, it is found only in connection with these other resources.

Sustained timber yields require a forest in which the whole complex stays materially unchanged indefinitely while each component segment in persistent succession grows from infancy to maturity -- a situation analagous to that prevailing in a stable herd of beef cattle. This being so, a great part of the forest is actually a manufacturing plant turning out a finished

product, namely, mature timber. Unlike most manufacturing processes, the plant in this case is scarcely distinguishable from its product. In consequence, a forest may be gradually liquidated by the harvesting of "merchantable" trees. Only in a few other spheres, such as animal husbandry and fisheries, can the same confusion arise, and in those cases the period needed for replenishment of growing stock is much shorter. In the harvesting of old-growth forests containing a surplus of mature trees, this feature is of no great significance. However in continuous forest management it assumes basic importance. Failure on the part of legislators, administrators, or forest managers to recognize this distinction between the manufacturing mechanism and its final product may establish conditions inimical to sustained production. And then, time is also a critical factor in reference to research as pointed out at the bottom of page 4.

Many studies -- though not all, of course -- necessitate observing the response of trees or forest stands to various physiological or silvicultural treatments. Because trees themselves are slow to mature, so must be the research projects involving them.

A little further down: Today we need the results of investigations that should have been initiated twenty years ago. Today also we should be starting studies the results of which the next generation of foresters will be in a position to apply. It is not easy to convince the public and their elected representatives that this is so because the precise need cannot always be demonstrated; it has to be accepted on faith.

Nevertheless, it is a point of great consequence which should be driven home in the interests of assuring the future of Canada's forest industries.

Now, transportation. The problems of transportation are also unique with reference to the forest resource. The importance of transportation in relation to the forest resource also has no parallel. The development of mineral deposits sometimes involves large investments in the means of access, but at least the raw material is concentrated in a relatively small locality. By contrast, the forest wealth may be much greater in total, but it is spread thinly over a vast area. Furthermore, unused minerals are more likely to increase than to diminish in ultimate value if temporarily undeveloped for lack of transportation. Not so the forest. Wood that decays from old age, or falls prey to fire, insects, disease, or the elements is lost forever even though it may, in time, be replaced. It is logical therefore that we should consider that more roads are one of the greatest needs for the protection and intensified management of the forest, and for the work of salvage where the need arises. It may be added that in the case of agriculture, transportation facilities almost always precede or accompany the extension of arable land, and nowadays such facilities are usually provided at public expense.

Then we go on to deal with a section entitled "The Canadian Forests and Forest Policies," the two introductory paragraphs of which I would like to read in full.

With scarcely enough exceptions to prove

the rule, the harvesting of the nation's forest crop is still in the exploitive stage. There is, however, a growing awareness of the need for a more scientific form of forest management. Special studies, by royal commissions or otherwise, bearing on the forestry situation in seven provinces since the end of World War II attest to this. And I might add that at the national level perhaps the most important investigation was that carried on by the Sub-Conservation of the Advisory Committee on Committee on/Reconstruction, which sub-committee was under the chairmanship of the late Dr. Wallace, and carried on its studies during 1933 and its report was submitted in 1934. I might add that a number of the problems that were considered by that group are dealt with in this brief, and of course the recommendations of that Wallace Report, I think, can be said to have led to the passing of the Canada Forestry Act, which we will refer to later.

Going on to the next paragraph: In the older established regions, a second or a third forest crop is being harvested which is often inferior to the original one. The cutting of second-growth timber is not yet the prevailing situation in Canadian forests as a whole, but it will become much more commonplace during the period in which your Commission is especially interested. The quality and extent of successive crops will be determined largely by how smoothly and quickly we can progress from exploitation to management. It will be a particularly difficult transition to make because of the conflicting forces which will be at work. Exploitation may be the proper economic approach in parts of the country for many years to come -- long after fairly

intensive management is desirable in more favoured localities. The problem is to establish conditions under which either can be practised. One would expect that the free play of economic forces would ensure relatively intensive management on favourably located forest lands, yet there are few, if any, signs of this happening. We surmise that it is being prevented by artificial impediments which are not yet fully recognized.

The next section is Tenure and Administration. The first paragraph refers to the fact that nine-tenths of Canada's forests are vested in the Crown and goes on to point out that there has been no indication of change of this pattern of ownership developed.

The next paragraph refers to the relatively small size of the privately owned timber land, but also to its relative importance because of its accessibility and because of the fact it is situated under relatively good growing conditions, and the statistics show that the privately owned land is being more heavily cut acre by acre than the Crown owned timber land of the north.

Page 8: In contrast to most freehold timberland, Crown leases or licenses are usually held for the sole purpose of supplying a specific industry, and that point will be referred to again later. The vast majority are either pulpwood leases or sawlog leases. And that paragraph goes on to point out the variation in the length of tenure of these leases and in many cases for a relatively short time.

Then, in the following paragraph reference is made to the various government departments that

are responsible for the administration of the forest area, either at the provincial or federal level, and the point that is made is that up to the present time there is no adequate provision for formal liaison between these various government groups.

On page 9: The Crown lands of the provinces are administered under legislation and regulations which in the main have been framed to guard against despoilation, and to that end they have served a useful, even necessary purpose. Safeguarding the public interest in public property is, and will continue to be, essential; it is questionable, however, whether restrictive legislation of this sort will provide the administrative vehicle for moving from controlled exploitation to scientific management. We would go so far as to say that at the present time intelligent large-scale experimentation in forest management is virtually impossible in some cases, and perhaps nowhere in Canada is it openly and actively encouraged by legislation or regulation.

The one piece of federal legislation passed in recent years that relates directly to forestry as a matter of national concern is the "Canada Forestry Act." With the passing of this Act in 1949, hopes ran high that there would soon develop a concerted effort to meet and solve a number of forestry problems common to most of the country. Some even believed that it might pave the way for better co-ordination of forest policies. To date, the Act has been instrumental in the preparation of the first reliable and comprehensive inventory of Canada's forest wealth, even though some provinces had

already started it. This compilation, when completed a year or two from now, will be an achievement of far-reaching importance. But apart from this, and some relatively small-scale reforestation in a few provinces, performance under the Act has fallen short of early promise. It is our opinion that the full potentialities of this piece of legislation will not materialize until there is a complete understanding between the federal and provincial governments as to the specific intent of its many provisions and whole-hearted co-operation in their implementation.

The next section has to do with protection, both fire protection and protection against insects and diseases, and as you are well aware, the losses annually in this country are great, both as a result of fire and as a result of these various parasites.

Protection of the forests against fire is primarily a provincial responsibility except in those areas held by the Crown in the right of the Dominion. In all cases, co-operation is demanded from the forest industries. In Quebec and Newfoundland, and to a lesser extent in British Columbia, the Crown licensees are assigned a specific and important role in the work of fire protection. Various arrangements are in effect in different parts of the country for paying the cost of fire protection for private lands.

This protection -- that is the next paragraph -- is costly and often places a heavy burden on provincial economies, particularly in those regions where the forest industries are not yet highly developed, where forest lands are widely dispersed, or where the dangers of

fire are unusually high. And I should point out that the forest industries, of course, are based on a raw material which represents a non-insurable risk and therefore involves an annual expenditure of considerable amounts in order to assure its protection within reasonable limits. It had generally been hoped and widely expected that the federal government would share in the cost of this activity, fire protection, under the terms of the Canada Forestry Act; indeed, the tenor of debate in the House suggests that that was the feeling of Parliament. But this has not yet happened in spite of the admitted importance of the forests in the national economy and their significance as the root source of much of the income of the federal government. Here, perhaps, we might point out that the federal government could make a number of important contributions besides direct financial aid to the provinces. Greatly extended forest-fire protection research, provisions for the use of armed forces in the detection and suppression of fires, and the assumption of a far greater share of the work of public education in fire prevention are perhaps the three most helpful ways in which the central government could assume a larger share of the burden without the transfer of funds to the provinces. We would stress, however, that direct financial assistance is even more important.

There is a steadily mounting danger of the incidence of fires because of the greatly increased use of the forest by the public for recreational purposes. Despite this, there has been a marked improvement in forest-fire prevention and suppression in recent years, but only at heavy additional expense. There are wide

variations in this respect in different parts of the country, however, and we lack an adequate standard by which to judge what degree of protection should be provided under differing circumstances. At present, the fire-protection system in most provinces is not methodically correlated to relative forest values, and, where limitations in protection are applied, they are arbitrarily based either on lack of funds or on guesswork as to the prospective value of the forests to be given or denied protection.

With regard to entomology: Since 1945, great progress has been made in the field of forest entomology, particularly in research, biological methods of control, and the rapid growth of the Forest Insects Survey -- a continuing system which provides early detection of incipient outbreaks of a serious nature. There are now over 500 persons employed in this work by the federal Department of Agriculture, and the provincial governments and industry actively co-operate in some aspects of it. But, in spite of very gratifying advances, there are still some serious weaknesses in our defence against insects.

In the event of a devastating outbreak, there is as yet no agreed division of financial and administrative responsibility for applying direct measures of suppression. The paragraph then goes on to illustrate that with reference to a situation in New Brunswick, and going on to the next paragraph:

We contend that this situation calls for a much firmer policy on the responsibilities of those most interested in controlling outbreaks of this kind and in

making plans to meet such emergencies before they occur. We believe the same broad principles of planned co-operative action should be applied in this connection as are now used in combatting communicable diseases among human beings.

A brief reference is made to forest pathology in the last paragraph on that page. Forest pathology is now receiving much more attention than it did only a few years ago. Developments in this field are closely paralleling the earlier upsurge of activity in forest entomology. We hope they will achieve equally impressive results while avoiding the defects which have appeared in the defence against insects.

The next portion is entitled Obstacles to Better Forest Management, and I would like to read the first paragraph or parts of it:

There are a great many forestry problems as yet unsolved. These may be divided into the purely technical ones and those which are basically economic or administrative. It is with the latter that we are mainly concerned here, as we are confident that the technical problems can be solved as conditions for management improve and providing adequate support is given to our research services.

Then reference is made to the vast area of forest lands in this country. There are in this country about $1\frac{1}{2}$ million square miles of forested lands. Perhaps in some ways that is a pity because it gives rise to the feeling that there is little cause for concern over our forest resources, and I think that has been

one factor over the years that has had a detrimental effect on our progress in forest management. In the first place, the feeling that the forests were inexhaustible, and in the fact we had such vast areas of forest land, there could be no question of ensuring timber supplies indefinitely in the future. It would be preposterous to suggest that all of the forested land in the latter category will be brought under management within the predictable future. That is the category that one-third of the total is considered to be both accessible and productive. The logical expectation is that much of the more remote forest will remain untouched for generations to come. In the next closer zone, exploitive, or liquidation harvesting may be the most sensible policy for a very long period. Only in those areas relatively close to markets and to economical transportation can a degree of forest management be justified, and even here the intensity of treatment will vary directly with the accessibility of the timber, just as it does in those countries, such as Sweden, noted for their advanced forestry practices. The trouble is that, up to the present, almost no provision has been made to stimulate voluntary management even on those public lands where it would be commercially practicable.

There are, in the following paragraphs, references to special problems. The first one: the system of forest tenure is based on the vertical integration of industry; that is to say, a timber limit is associated with a specific enterprise, usually a pulp mill or a sawmill. There is therefore an almost universal tendency to extract in each instance only one class of product,

and that goes on to discuss that with reference to a particular situation.

The next paragraph has to do with the incomplete utilization of trees cut, the damage to trees left in partial cuttings, neglect of inferior species, and failure to use sound fallen timber which together account for substantial losses to the country and do not result from wanton wastefulness, but simply the outcome of economic conditions or regulations.

The third point that is made has to do with the use of hardwoods which are becoming increasingly important in relation to the pulp and paper industry; their extraction is very often more costly than that of the conifers, and on page 15 it is pointed out that this is not always recognized in the official stumpage rates.

There is an urgent need in many parts of Canada to extract as much hardwood as possible from the forest instead of cutting only the conifers and leaving the hardwoods free to take over the site without competition.

The next three paragraphs, at least two paragraphs, have to do with one aspect of the problem of securing satisfactory regeneration, which, of course, is fundamental to the continuing supply of forest products.

A major problem in much of the Canadian forest is the matter of securing satisfactory regeneration. This is largely a technical problem, but by no means wholly so. The usual practice on Crown lands is for the government to collect payment for timber on the basis of the volume cut. But it makes no difference whether the wood was grown by nature unaided or whether some limit holder

voluntarily incurred expense to secure better regeneration than would otherwise have resulted. Thus, if a limit holder makes a special effort to practise some elementary form of forest management, he gets no credit for it. He will therefore do it only when he must. The net result is that, over large areas of cut-over timberland, there is a very unsatisfactory condition of re-stocking both as to quantity and quality.

If evidence is needed that most provinces are geared to a policy of liquidation, one has only to examine the common pattern of Crown timber disposal. Almost invariably a low value is placed on the land in the form of an annual rental and a relatively high value is set on the timber in the form of stumpage. This is a clear indication that we, as owners of the property, are selling timber for use and not leasing land for use. But, for long-term forest management, it is the growth potential and accessibility of the site which are of paramount significance. The occupant of Crown lands should be encouraged to increase the yield of his holdings, rather than being discouraged from doing so.

In the next section, "Industrial Utilization", that is referring to the situation when the raw material reaches the mill. It is pointed out in the first paragraph that the larger units of the pulp and paper and also of the saw timber industry are capable of exercising, of dealing with their own technical progress, but that is not so in regard to the small industrial units, and there are a number of reasons pointed up in that paragraph on pages 16 and 17 as to why the situation is not satisfactory

among the smaller industries.

Going on on page 17: Wood utilization research and related investigations are conducted by the Forest Products Laboratories operated by the Department of Northern Affairs and Natural Resources, that should be, at Ottawa and Vancouver. It is not the present policy to extend these studies into pilot plant and development stages; such work is considered by the federal government to be a function of industry either through individual enterprise or by co-operative action. However, although a small number of companies are engaged in product development, very little has been done on an industry-wide co-operative basis. The need for basic research in forest products is greater than ever and, to a degree, this has been officially recognized and provision made to meet it. Nevertheless, there is just as great a need for a comprehensive programme of development and extension work to assist the smaller units of industry to apply the results of basic research and the techniques of manufacture and marketing that are already known.

It seems clear that the present state of affairs among the smaller industries will not allow them to initiate any such programme at present, even though they have made spasmodic, and sometimes successful, attempts in limited fields. An essential link is therefore missing in the chain of factors required for technological progress.

We go on to suggest, on page 18, that funds be provided by the Government of Canada for projects designed to raise the technical standards of certain

forest products industries that require such assistance. It is not necessary that the detailed direction of this activity should be supplied entirely, or even in part, by federal authorities. On the contrary, the provincial governments, the universities, and various trade associations might each undertake certain phases of the work to good advantage. Certainly the present situation is one which calls for very thorough study from many angles.

Then, with reference to Land-Use Policies and Problems, there are really two main points. On page 18 the first point is made in the sentence: The past quarter century has witnessed a number of ill-advised settlement schemes the most lasting result of which has been the destruction of forest land.

At the top of page 19: The nibbling away of timber limits for pseudo-agricultural development has a very unsettling effect on the forest industries and often entails devastation in areas that should carry the most desirable stands of timber. It is certainly not conducive to the expenditure of money and effort in long-range forest management. The Prairie Provinces are trying to find a rational solution to this chronic problem, but study on a much wider basis seems to be needed.

On the other side of the picture, there are examples of good forest land in public ownership being reserved from commercial use on the grounds that it thus serves the public interest better for recreational purposes. There is no question about the importance and the increasing importance in the future of the

recreational use of the forest land, and its use for other purposes.

We then go on in the next paragraph to indicate our support for the multiple-use concept, which is defined at the bottom of that page, which refers to its use for two or more purposes concurrently, one of which may be dominant but not exclusive. And that merely means that instead of the single purpose for timber or recreation or water conservation, it is better to or it is possible to bring these various aspects of use together and integrate them, and therefore have the most efficient management pattern developed possible. But as we point out this idea of multiple use or integrated use -- multiple use, I might say, or integrated use -- multiple use, I might say, has come into the technical vocabulary of the forester and other people concerned with forest management, over the past twenty years, as part of the general pattern of conservation, and has been used mainly where water conservation was the primary objective and other reasons of management secondary -- it is becoming more and more of greater interest, with demand for recreation and so on developing. And as suggested here, its application requires a great deal more basic investigation than has been done so far.

We then go on to give consideration to matters that are more peculiar to private forest lands, and then at the top of page 20 we have said that private lands have a special significance owing to their location and productivity. We should therefore mention some forestry problems peculiar to this type of ownership.

In general, the property taxes applied to forest lands are based on the combined value of the land and the timber, and they are payable annually. This means that the same trees may be -- and, in fact, usually are -- taxed over and over again. It is roughly analagous to a farmer's field of wheat or tobacco being taxed two or three times a week during the growing season. There are cases on record of timberlands being assessed at higher valuations than neighbouring arable lands producing valuable crops annually.

Reference is then made in the paragraph at the bottom of page 20 to the effect of income tax and possibly succession duties in relation to management.

In general, then, taxation of private woodlands favours those who exploit and not those who manage. One outstanding exception to this pattern is the tax arrangements applied in the case of managed "tree farms" and private lands included in "forest management license" areas in British Columbia. In these cases the productive capacity of the site provides the basis for assessment. There have been other attempts to rectify forest taxation, but it is too early to say whether they will bring beneficial results or not.

Then, in the paragraph on page 21, it refers to the possibility of control of activities in private lands with legislation, and compares that with the possibility of creating an incentive by changing the taxation pattern.

At the bottom of page 21: Some agencies, both private and government sponsored, put much money and

effort into programmes designed to educate the small woodlot owner in the rudiments of forest management and to help him with the problems of marketing his output. We applaud these constructive programmes and completely endorse the need for greatly expanding them; indeed their importance can hardly be over-estimated and their present inadequacy too loudly decried. Yet we are struck by the inconsistency of trying to "educate" (or compel) in the face of taxation policies which run counter to the aims of the educators. It seems that the views of the legislators when they impose taxes are often incompatible with those they hold when they legislate in favour of forest management. Again, we should make an exception to the British Columbia legislation relating to tree farms and forest management licences.

We have shown that the private woodlots of the country, particularly the smaller ones, are being much more heavily cut than most Crown lands. Up to a point this is all to the good, but in some places it has been overdone to the extent that the situation may properly be described as serious. Not only is this so from the point of view of diminishing supplies of wood, but even from the standpoint of impaired water resources and an unhealthy imbalance of fauna. Some action should be taken without delay to make the wise management of woodland more attractive financially than it is at present.

The next section is concerning the setting up of a production goal, as far as wood is concerned, for this country, and it is pointed out: A study of the land classification of Canada discloses the huge physical plant capable of the production of wood. There should

be a correction there, the word "forty" should be changed to "thirty" in the next sentence. Thirty per cent of the land area of Canada is capable of producing vegetative crops, but over three-quarters of this is considered to be limited by its quality to the production of forest crops and less than one-quarter is arable land and grassland, and a discussion of that matter is continued down to the bottom of that page.

The fact that some public and private expenditures are made for protection, planting, thinning and similar operations to increase the forest productivity, suggests that a need for such investment is recognized. However, this need, which appears to some people to be very great and to others to be almost non-existent, has never been established on anything approaching a scientific basis. This has resulted in a lack of agreement between those most concerned with the production of future forest crops, namely, industry and the provincial and federal governments. No over-all policy with respect to expenditure for the growing of forests has ever been defined, although this should be the basis for co-operative action aimed at the realization of the economic potential of the forest land.

Then the second next paragraph: Considering Canada's present and probable future need for wood as a raw material, there should be a deep interest in establishing a sound policy on wood production. Outlays for forestry operations determined by what is left over after all other demands on the profits from current forest operations have been met is a wholly inadequate policy of management. The alternative is to establish by the

best possible methods the probable future requirements of the Canadian wood-using industries. It is fully appreciated that no exact statement of requirements is possible because of changing technology and markets. However, such an estimate would at least establish a goal for production, and would put the practice of forestry in a positive position in the economy with a positive demand on the existing factors of production.

It would appear that any survey of wood requirements should be made on a regional basis. The natural production, that is, the production obtained without the assistance of man, of any region could be evaluated, and the probable expenditure required to correct deficiencies could be determined.

Some areas of virgin timber still untapped may provide wood for many years to come at a cost competitive with that of timber produced by silvicultural management. Furthermore, certain regions have a greater natural productivity than others. These considerations should be reflected in the policy of regional expenditures. Thus, a survey of this nature must be undertaken nationally with the assistance and co-operation of governments and industry. The survey would then become the basis of a national policy on expenditures needed for the production of forest crops, but the policy should be implemented under local authority.

The quantity of raw forest products available to Canada in the future will depend partly on present investments in the forest. Considering the importance of wood to our economic welfare it behooves us to determine as best we can our future needs, and to act

now to provide for them by the most effective means at hand.

Then the next section: Summarized conclusions, and the first paragraph points out that in our consideration the main obstacle is that almost all forest policy in Canada is either anchored to or coloured by the concept of forest liquidation rather than of forest management. And then we go on to discuss some of the features of a policy of liquidation and the effect of that policy on the people who are operating the forest, which is contained in the paragraph on page 26.

These characteristics of our policy automatically produce reactions on the part of the forest industries. There is little desire to invest any more capital in a venture than is necessary for immediate operation, particularly fixed investment in the form of roads and other facilities and in improvement of the growing stock. The reason is that the conditions of tenure, or the tenure itself, are either too uncertain or of too short a duration. There is only a limited desire to improve standards of forest utilization because, beyond a fairly well defined point, such improvement will not show on the profit side of the ledger, as it conceivably might under other conditions of occupancy. The interest in succeeding crops is not likely to be much more than compulsory or academic, because there is no assurance as to who will reap the next harvest or what conditions will be imposed upon the reaper.

Then at the top of page 27: Some might argue that these difficulties are inherent in the retention

of the Crown's title to the bulk of the forests. We do not agree. We believe a satisfactory solution to the problem can be found under the present ownership pattern. In any event, the impact of taxation and controls can thwart sound forest management on private land just as effectively as the corresponding factors applying to Crown lands.

Then we go on to mention certain other points which we feel are adversely affecting forest practices. Among the more important of these we should mention the following: insufficient practical help to the small woodlot owner to grow a good crop and market it advantageously; insufficient effort to help the smaller wood-using industries to attain a high economic status; insufficient stress on the training of forest workers, especially in the sub-professional categories; insufficient effort to impress upon the Canadian people in general, and the younger ones in particular, the significance of Canada's forest wealth; insufficient federal participation in the work of safeguarding and improving the nation's forests which are the root source of a large part of the national revenue; insufficient public concern over the need for making the forest wealth more accessible for use and protection; and the lack of commonly accepted and specific aims in relation to land use as it concerns forestry.

We have reserved for special mention the matter of research into matters pertaining to the management and protection of the forest. In some fields -- such as forest genetics, forest soils, and forest influences, to name a few -- investigation has been, and still is, pitifully inadequate. In other directions, the

amount of research work done in the past was moderately satisfactory when viewed in the light of the then prevailing conditions. But today startling new conditions confront us. In the seven years following 1945, the primary production from Canadian forests increased by 40 per cent, whereas the increase in the twenty years prior to 1945 was only $12\frac{1}{2}$ per cent. This ninefold increase in the rate of acceleration of timber removal lends a note of urgency to all efforts to achieve adequate forest management, but in no sphere is this more insistent than in research. It is quite apparent that the problems of the forester are rapidly going to become more complex, and no time should be lost in seeking the answers to them. Good research workers cannot be pulled out of a hat. Research positions at attractive salaries must be offered to induce capable men and women to take the advanced training needed to fit them for this type of work. Bearing in mind what we said earlier about the time lag in forestry investigations, we submit that both industry and government should be more alive to this situation than they appear to be.

Then we go on, as I pointed out earlier, very definitely, and it is obvious, we have had considerable progress over the past years, I think, particularly in the past fifteen years, in forestry in this country, and it is pointed out in the next few paragraphs, I think quite rightly, the contribution that has been made to this progress by the profession of forestry.

With this as a background, we present the principal recommendation of this brief, on pages 29, 30, 31 and 32. Beginning at the bottom of page 29:

Throughout the submission we have made

several suggestions on what we consider to be very important matters. But at this point we wish to emphasize that nothing deflects us from the view that the most urgent need of all is to set about creating the conditions, or the "atmosphere", in which forest management can become a practical and profitable procedure for both government and industry. Forest management, by definition, rests on the application of business methods; government regulations cannot be substituted. It is our contention that by focusing attention on the fundamental task of making provision for the opportunity to practise forest management on public lands, most of the supplementary problems will yield more readily to solution. We submit that, directly the obstacles to management are removed, the other needs which now may seem vaguely academic and "someone else's" concern will become vividly realistic. The incentive to provide roads, better protection, more research, and adequate training facilities will exist; their necessity will not have to be argued as we are presently doing. Improved forest utilization will be a natural consequence of management because the incentive will also be present for that.

As a means of achieving this all-important end we make one major recommendation, as follows:

That the federal government take the initiative in establishing a committee consisting of foresters, forest administrators, economists, taxation experts, businessmen, political leaders, and others as might be necessary or desirable nominated by the provincial and federal governments, and that this committee

be given the necessary powers and facilities to perform the following duties:

- (i) To institute periodic analyses of available information on Canada's forest resources and Canada's prospective markets for forest products, and to secure such further information on these matters as may be needed, to the end that the committee may determine a reasonable production goal consistent with the nation's over-all economic prospects.
- (ii) To direct the formulation of the forest policy most likely to result in the achievement of the agreed goal of forest production, and to offer this policy, or code, to those whom it may concern for voluntary adoption.
- (iii) To initiate an analysis of those economic, administrative, or technical obstacles which may be impeding, or could impede, the attainment of the chosen goal and make recommendations for their correction.
- (iv) To make recommendations as to the roles which the federal and provincial governments, the forest industries, the universities, and private organizations should play in a co-ordinated effort to achieve the chosen goal.
- (v) To recommend such fiscal arrangements or policies as may be required to fulfil the objective set, and to study and recommend ways in which the Canada Forestry Act can be made a more positive instrument in the evolution of a national forest policy.

- (vi) To recommend the means whereby these matters may be given continuing attention to the end that prompt warning may be given of changing conditions or objectives and of inadequacies in forest policy.

The further discussion of that committee and the way it might work is contained in the following paragraphs on page 32. The paragraph in the centre of the page:

We do not suggest that the efforts of such a committee would result in immediate and spectacular improvements, but it would perform an invaluable service by clarifying the thinking of all parties concerned with these problems. It should prepare a pattern which could be used at the discretion of those in authority by adaptation to local circumstances -- I would like to underline that -- could be used at the discretion of those in authority by adaptation to local circumstances -- and which would serve as a yardstick for measuring progress.

We do not consider it our duty to chart a detailed forest policy for Canada any more than it is incumbent upon any other professional body to dictate to the Canadian people what is good for them. We would be presumptuous to think otherwise. Nevertheless, we do believe that the public properly expects leadership in forestry matters from those whose training and experience give them a close insight into the problems associated with one of Canada's most prized resources. It is our chief plea, therefore, that those in authority should recognize that the forest policy now followed is

inadequate to cope with the current situation, and that they should take steps to revise it. Professional foresters in general, and this Institute in particular, will welcome any opportunity accorded them to participate in such a project. We are confident that, when a comprehensive and up-to-date policy is formulated and generally accepted in principle, foresters will be able to make a much more significant contribution to the growth and development of our country's economy than it is possible under present circumstances.

Now, the remainder of our brief, Mr. Chairman, deals with education and I think I could turn to the summary of that at the beginning of the text and read it, as I believe it gives the main points. That is on pagees (iii) and (iv) in the Summary at the beginning of the text.

Education in Forestry

Technically trained workers and a well informed public are essential to assure good forestry practices. Four Canadian universities have graduated about 2400 foresters, and there are now roughly 2200 professional workers engaged in forestry activities in Canada; in relation to population this is equivalent to the situation in the United States, but that country is far ahead in the number of foresters in proportion to its forest wealth. Currently Canadian forest schools graduate about 100 students annually, but, by 1970, this number may be increased by seventy per cent. It is estimated that the number of practising foresters here will be more than doubled in the next thirty years.

The greatest need of our forest schools is the provision of increased facilities for graduate studies and research programmes as well as more aid for graduate students. And I would like to underline that because in the past practically all of the Canadian foresters who wished to take advance work at the universities have gone to other countries, and we have been in a state of academic colonialism, I think is the term that is used, which is definitely detrimental to the situation, and it is about time that our own schools were able to be in a position to deal with that subject.

About 2400 forest rangers have been trained in special schools in recent years, and these technicians somewhat mitigate the relative shortage of professional men.

There should be more effective means of bringing to owners of small forest properties appropriate technical information and to the general public a sound basic understanding of the forestry situation.

I have great pleasure in submitting this report to you, Sir, on behalf of the Canadian Institute of Forestry.

THE CHAIRMAN: Thank you very much, Dean Sisam. I am going to let Mr. Lussier ask most of the questions today. I think there are one or two that I would like to ask first. On page 7 you were talking about tenure and administration, and at the end of the first paragraph you say:

"It would appear that the public is satisfied with the present balance between public and private ownership, and we are not inclined to dispute that judgment."

That is if the present balance -- the present balance as I understand it is quite different in New Brunswick than it is in Ontario, for instance -- in other words, do you think it makes no difference what the balance is between public and private ownership?

DEAN SISAM: Well, the point I think that is meant there, there has been a tendency on the part of some people to suggest that our forest management would improve greatly if the forests were handed over to industry in fee simple.

THE CHAIRMAN: Yes?

DEAN SISAM: And our view here is that we do not believe that is the case, and we believe that proper forest management programme can develop under the present pattern of management.

Now, in Nova Scotia, I think, which has a relatively small proportion of publicly owned land at the present time, there is a trend towards increasing that holding in Crown land, and if we feel that the holding of the land in the Crown is favourable in the long run to forest management, I believe we would say that we were favourable to such a greater change in that direction.

THE CHAIRMAN: That is what I want to get at. If you think it is desirable that the Crown should hold a substantial portion of the Crown land I don't see how the present situation can be good in all provinces where the situation is quite different, as I understand it.

DEAN SISAM: I think, Mr. Chairman, that it is healthy to have a pattern of ownership which is not

all in the one direction -- if you have a certain proportion of privately owned land and a certain proportion of publicly owned land, and I think that the percentage of publicly owned land in Quebec and West is over ninety per cent.

THE CHAIRMAN: Yes, I gather you think it is a good thing.

DEAN SISAM: In general, yes, I think it is quite proper.

THE CHAIRMAN: But it is quite different in the Maritimes and Atlantic provinces, isn't it?

DEAN SISAM: In Quebec it is. At least in New Brunswick public ownership is about fifty per cent, and I think in Nova Scotia it is somewhat less than fifty per cent, and in Newfoundland it is --

THE CHAIRMAN: All private, isn't it?

DEAN SISAM: Twenty-five per cent of private land. I would be very glad if any of the other members who are representing the C.I.F. wish to speak to that.

THE CHAIRMAN: Well, I don't want to press the point. On page 10 you were talking about the Canada Forestry Act, at the top of the page, and you say:

"It is our opinion that the full potentialities of this piece of legislation will not materialize until there is a complete understanding between the federal and provincial governments as to the specific intent of its many provisions and wholehearted co-operation in their implementation."

What is the trouble at the moment?

DEAN SISAM: I would ask Mr. Shortinghues if he would speak to that.

MR. SHORTINGHUES: There is nothing wrong with the Canada Forestry Act. It is a very complete coverage of the whole matter, and I don't think anybody thinks there is anything wrong with the main implementation of the Act so far, namely the national inventory. That is a good thing and that had to come first. But the only other implementation of the Act so far has been in the field of reforestation, and there we are getting a pattern, the inventory reforestation, and in the case of reforestation the federal government will contribute 25 per cent of the cost provided that there is an increase over the period of time, more trees being planted, which throws a very heavy burden on the provinces if this were kept on for the next twenty years or so. My personal opinion is that it would be better if ^{under} the Canada Forestry Act the federal money be made available to each province on a formula basis, in which the factor of the increased provincial expenditures should not be a condition of federal assistance. I mean some of the provinces are putting all their forest revenues back into the management of the forests and that management is even still on a low standard. Also that the money made available to be spent in the provinces should be based on the policy that best meets the needs of the individual provinces. You see, conditions vary greatly across Canada, and a scheme that is good for Nova Scotia is very apt not to be good for British Columbia, and I think the taxpayers could get the best value for their money if the programmes under the Canada

Forestry Act were chosen by the people who know the conditions best in their particular area.

Then, I think, too, that if money were voted under the Canada Forestry Act and distributed on a formula basis, that the federal government would not be faced with the awkward situation now of having demands for assistance in fire protection, for assistance in roads, and under the Act if the money were voted on a formula basis and given to each province for schemes approved by the federal government, then those schemes might embrace fire protection or insect controls or whatever else is needed.

MR. LUSSIER: What do you mean by a formula basis? For instance, do you mean that the federal government might offer to one particular province 25 or 50 per cent for a special improvement of the forests, providing that the provincial government should do so and so? Is that what you mean?

MR. SHORTINGHUES: Yes, sir.

MR. LUSSIER: So, in your subsidy you tied a string by which the province would be forced to do something which is being asked by the Dominion government as the central power?

MR. SHORTINGHUES: No, I think you are getting away from that. I think that is pretty well the case under the present implementation of the present Canada Forestry Act. The whole thing now goes to inventory or reforestation, nothing else, and under this proposal the money would be made available on a formula basis to the provinces and then the provinces could choose the programmes for which it is requesting a

fifty per cent participation -- financial participation.

MR. LUSSIER: Yes.

MR. SHORTINGHUES: By the federal government.

MR. LUSSIER: That is what I say, there is a string provided, to spend fifty per cent of that subsidy.

MR. SHORTINGHUES: But it could fit in with the existing programme, sir. I mean, supposing the same province is now spending \$500,000 on fire protection and wanted to spend \$1,000,000 on fire protection, it would be possible to do that under this formula basis.

MR. LUSSIER: I see.

MR. SHORTINGHUES: I mean I don't think this business of a province having to increase their expenditures should be a factor under the Act.

MR. LUSSIER: That is good. Now, Mr. Sisam says this is the fiftieth anniversary of the first meeting of people about forest conservation, and following that the Faculty of Forestry at Toronto was created, and two or three others were much later, in Quebec and New Brunswick and afterwards in British Columbia, so we have four forestry faculties in the Dominion now, and it is fifty years, or nearly fifty years, since there are some provincial foresters in this country. Now, are you satisfied with the progress which has been accomplished since that time? It is a very general question, I admit, but as a matter of fact, do you think that the progress was very fast following the formation of those schools, or was it slow, or is there any particular reason why it was slow?

DEAN SISAM: Mr. Chairman, Mr. Lussier, it

is a little difficult to answer the question. Of course we did a peculiar thing in this country with regard to forestry. We started educating people for forestry before we had a profession, and that is quite contrary to most professions and contrary to the situation with regard to forestry in other countries, except the United States. So we had people who were being trained for a demand that did not exist. In other words, we were imposing a profession on the country. Now, the demand did exist in a sense because of public interest in the problem of forest conservation which, of course, led up to the setting up of a Canadian Forestry Association in 1900, but that was a demand on the part of the people but not necessarily people who were going to employ foresters. So we had foresters graduating from the forestry schools in the beginning without any jobs in forestry, but they did of course take on jobs in relation to the administration of the forests and other resources over a period of time. And there has been some fluctuation in the demand and the employment of foresters as is pointed out in the brief on education, at the end of our general brief, and in some respects I think the progress has been very good.

The progress has been definitely in part caused by the fact that foresters were employed, were necessitated. It has been demand plus, because of the marketing of the pulp and paper industry. The arrival of the pulp and paper industry meant that relatively large areas of forest had to be allocated to newer conditions, and that was to ensure continuous supply of raw material.

Another approach, of course, was the regulation of the cutting of those large blocks of timber to ensure uniform disposal, and some relation, the establishment of some relationship between the cut and the natural growth. So we had a fairly rapid development in production and no regulation of the forest resource.

The next step, of course, is intent on a continuous productivity, and that is a point we have stopped at pretty well.

So, I would say there has been fairly steady progress over the past fifty years in certain aspects of forest management, in its production and in certain forest management, there have been demands established because of the areas of the marketing of the pulp and paper industry and the recognition of the fact that much of our land is better suited to the growing of timber than any other crop. And that, of course, is just the reverse of the feeling at the end of the last century when many people in this country believed that the forests should be removed and that the whole of the country should be opened up for agriculture, and that was stated as a point of policy in Ontario, certainly, that Ontario was to be an agricultural province and that the forest was a deficit resource that would be cut off when a country was opened up, and was discounted provincially as a source of revenue to the provincial treasury in the past.

That would be the answer as far as I know. I think progress has been made in certain lines, but we have not got over that final barrier of the management for sustained yield.

MR. LUSSIER: On page 9 you say this about forest management:

"We would go so far as to say that at the present time intelligent large-scale experimentation in forest management is virtually impossible in some cases, and perhaps nowhere in Canada is it openly and actively encouraged by legislation or regulation."

Is it necessary that this sort of thing should be encouraged by special legislation or education or would it be much better if the people who use the forest, I mean the limit holder, should do that in their own interests, not being compelled, not being forced by the government or legislation? What do you say about that? Because you say "it is virtually impossible," why is it virtually impossible? Is it a state of mind or just indifference? I would like to get your opinion about that.

MR. SISAM: I wonder if you would care to speak to that, Mr. Fellows?

MR. FELLOWS: Well, sir, I think perhaps the only way I can get at it is to give a sort of generalized answer. I would say generally the practice is now to try to practise forest management by government regulation, there is very little freedom of action as to that.

I would say that possibly our general system of stumpage, by stumpage, can be and sometimes is an obstacle to proper forest management. Stumpage rates are set fairly arbitrarily, and if not in accordance with economic realities they have an inhibiting

effect on good management. If the stumpage rate, we will say, on hardwood is too high it won't be cut.

MR. LUSSIER: Is it the case?

MR. FELLOWS: Pardon?

MR. LUSSIER: Was it the case in the past?

MR. FELLOWS: I certainly believe it is the case in some places. I would say, speaking very broadly, that the stumpage principle has that tendency.

MR. LUSSIER: Well, what about the stumpage itself? Do you think in Canada in most provinces the stumpage is too high?

MR. FELLOWS: It varies very widely anyway. In some cases it is quite high, in some cases it is low.

MR. LUSSIER: Can you specify some province?

MR. FELLOWS: Do you mean as to the difference in stumpage rates?

MR. LUSSIER: Yes.

MR. FELLOWS: Well, it is high in New Brunswick, I know that, higher probably than in any other province. And lower, as you know, west, at least to British Columbia.

MR. LUSSIER: Now, you are mentioning on page 10 about protection; you mention, and it is true, that forest protection should be improved, and that we have experienced great havoc from forest fires all over Canada, and you say, too, our forests cannot be insured as the rate, if it were a possibility, would be very high. Now, you know in the Scandinavian countries, perhaps in Sweden first, the occurrence of forest fires are very scarce, practically negligible for the last twenty years, and following that, those forests are being insured at

a very, very low rate. Is there in your mind that difference between our country and the different provinces and the Scandinavian countries?

DEAN SISAM: In that connection, Mr. Chairman, I think there are possibly three or four factors that determine the difference between the insurability of the forests in Scandinavia and in Canada. In fact, I think in Norway the rate is so low that it is practically non-existent.

I should say that one of the main reasons is the accessibility of the forests, the fact that they are being worked over relatively short periods of time. The accessibility of the forests is a very important factor. You can get at them easily and without any very high cost.

The Scandinavian countries are in an oceanic climate. The atmospheric humidity is high and therefore the fire hazard is low, and I should say that is true of almost all the Scandinavian peninsula. Whereas in Canada the farther inland you get, of course, the lower your relative humidity and the higher the fire hazard. We have favourable conditions in the maritime provinces and then they are somewhat less as you go west.

Then the other fact is the effect of the forest on the conscience of the people in the country, because they are much more dependent on the forest, which is less of a secondary industry economy than the case in this country. So that people are dependent on the forests, they recognize and they see they are not burned.

MR. LUSSIER: That is the three factors in your mind?

DEAN SISAM: Yes.

MR. LUSSIER: About accessibility, it is true,

the climate, are you so sure? Have you got any data about that? I have been looking for that data myself.

DEAN SISAM: I had some, I am sorry I have not any with me. I have some data. Of course Canada is a very large country and climatic conditions vary. I am comparing Scandinavia with the continental climate of the interior.

But I don't think there is that difference, as I said a few moments ago, between Scandinavia and the Maritimes; I imagine that conditions are quite comparable in these two sections.

MR. LUSSIER: Well, I won't ask too many questions, just one or two. For many years I heard that some technique would come to the forestry school that were used in a kind of pretext to practise some kind of exploitation which was against the interests of the forest, and could you tell me what those words mature and over-mature? I know practically all the eastern provinces not too badly, and any time that a forest owner wants to get some reason, some pretext to cut some stand, he says, and very often the forester will say: "Well, it may be that the forest is mature, the forest is over-mature, and we must cut everything." One of the predecessors who was the late Mr. Robertson, who used to be in the Dominion service was telling me very often that there is not such a thing as a mature forest and an over-mature forest or immature forest. There are mature trees in a forest but not an over-mature forest of so big an area that people think it is. Now, do you think that that is true or do you think we are looking for an excuse which will give any reason for the forest holders to apply

what we call the clean cutting system, which is not very clean after they have been exploited.

GENERAL KENNEDY: Mr. Chairman, Mr. Lussier:

I think it has been actually a question of discussing the cutting of over-mature forests which is too often given as a reason. I agree with you right there. On the other hand, the tendency is to cut forests that are closer and handier to get, from the economic standpoint, cheaper wood, and we are sometimes leaving in our most distant places mature forests that should be cut. For that reason I think it is relatively unimportant in the black spruce swamp forests, because normally they are even-aged resulting from old fires, and therefore regardless of the size of the tree they are the same age and therefore the regeneration mainly comes from the root growth rather than seeding, with the result that black spruce swamp forests may be cut as over-mature and clear cut. I think when we get on to the uplands we should be cutting on a selective basis, and that is one of the reasons why we have what somebody has very aptly called silvicultural slums, which are useless species that are growing on some of our best growing areas, because of clear cutting.

While I am on my feet, may I refer to one of the earlier points?

THE CHAIRMAN: Yes.

GENERAL KENNEDY: It was to the effect that -- the second last question of yours,

"We go so far as to say that at the present time intelligent large-scale experimentation is virtually impossible"

and so on. I think that one of our difficulties in

What is that we are trying probably to do too much by forest regulation without incentive to do better, when we apply the same rules and generally the same regulations to the fellow who is behaving as the fellow who is behaving very badly. And therefore I think that some basis that gets away from too much regulation and plus the incentive to the fellow who operates soundly, would do a lot to help that.

MR. LUSSIER: Thank you.

THE CHAIRMAN: Thank you very much, Dean Sisam and gentlemen, for your brief and for the way you have answered Mr. Lussier's questions. We are very grateful to you. I think we will adjourn for five minutes before we go on to the next submission.

DEAN SISAM: Thank you.

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--- Upon resuming.

THE CHAIRMAN: Gentlemen, shall we come to order? Mr. Koerner, in welcoming you to these proceedings I would just like to say how very grateful we are to you for coming here. For the benefit of the others present who may not know this, we asked Mr. Koerner if he would be good enough to appear before this Commission when we were in Vancouver, and he thought it would not be appropriate for him to give his views on the forestry industry in British Columbia to us before he had appeared before the Sloan Commission. But he very kindly offered to come before us when we were sitting in Ottawa, after he had appeared before the Sloan Commission, and we are extremely grateful to you for

that offer and for appearing here today. We will mark your submission Exhibit 222.

MR. KOERNER: Mr. Chairman and gentlemen, I am very fortunate to be here today following the appearance of my colleagues of the C. I. F., and I want to say that I agree fully and concur with the presentation of the Institute.

Yours is the exacting task of inquiring into and reporting on Canada's economic prospects over the next twenty-five years. Your report will serve as an invaluable guide for our Governments and for business during the period of growth and development which lies before us. I therefore consider it a great privilege to have been invited to present to you some of my views on certain matters affecting our social and economic future. I am particularly honoured to be here as I was not born in Canada and my experience in Canadian industry extends only over a period of sixteen years.

Canada's rapid economic growth in the past half-century, and more especially since the second World War, points to an even more accelerated rate of growth over the next quarter-century. Projecting present trends, we now think in terms of a population of twenty-eight million and a gross national product of some sixty million dollars by 1980. In other words, we are predicting our growth on a large increase in population and in production. Having regard to the nature of our economy, the increase in production will, in the main, be determined by the further development of our existing natural resources and the discovery of new resources.

I do not need to tell this Commission of the vast and varied natural wealth which is the foundation of our economic progress and well-being. Canada is in this respect very rich indeed. Some of this wealth is, of course, exhaustible and we have been fortunate that, with the extension of the frontier, new supplies have been and will continue to be discovered. There are at least two resources, however, in addition to our agricultural and fishery resources, which we can use and at the same time conserve in perpetuity -- our forests and our water power. I propose to submit to you my views on the immense possibilities they offer to us and then to make some comments on problems affecting the greatest resource of all -- our human resources.

Forest Resources

I have recently had occasion, Mr. Chairman, as you said, as President of Alaska Pine & Cellulose Limited, to make a submission to the Royal Commission on Forestry, the Sloan Commission, in British Columbia. It sets out the views of the company and of myself on forest policy in our province, and I am filing a copy of that brief with my present submission to you. I do not propose to read now the views which I have there expressed in detail but will try to comment on them in a broad way.

Reference is sometimes made to my European experience and to the applicability of European forestry policies and practices in Canada. I have had the benefit of many years experience in the forest industry in Europe before coming to Canada. In the course of

the last sixteen years I have witnessed under a change in the approach to forestry in the province of British Columbia. I can say that our practices which prevailed in years gone by and which resulted in excessive waste in the forests and in forest industries have now to a very large degree been replaced by conservation practices based upon the principle of sustained yield. In addition and of great importance is the elimination of waste which has resulted from the establishment of integrated, diversified and highly mechanized processing plants giving us the most economic use of our trees. We have, therefore, in a relatively short period of time attained a maturity of approach to problems of forestry and utilization of forest products. We have also made great progress in marketing the products. I can, therefore, now say that with the advances which we have made, we need no longer look constantly to Europe and to European practices for guidance. It is with a sense of pride, Mr. Chairman, that I am able to point to the great progress and success which is being attained by our industry in Canada under our system of democracy and free enterprise.

In summary, therefore, on the basis of my own experience in Europe and in Canada, I feel that we who operate in North America do not need to look to Europe for the policies and practices which will further develop our forest economy, provided that we continue to expand the research, in all fields, and training essential to achieve this end.

In the brief which I submitted to the Royal Commission on Forestry in British Columbia, I have submitted

my views on the principles of conservation and sustained yield and on the policies which, in my opinion, should be adopted to give effect to them in our province. The basic principles are of general importance and can and should be applied to Canada as a whole. In that brief I have also set out the benefits by way of expanded research which have become available to our company, and through us, to Canada, from our recent affiliation with Rayonier Incorporated. I mention this here only because it is on research that commercial forestry and the maximum economic utilization of our wood resources are dependent.

The views on forestry which I would like to submit to you relate not to the practices I have mentioned but rather to the great potential of our forests as a means of meeting the needs and promoting the well-being of a rapidly increasing world population. We have before us the prospect of a wide variety of high-grade products ranging from structural forms to basic and fine chemicals, manufactured from wood and sold in all the markets of the world.

We are all aware that for a long period of our history wood was the basic structural material, but that in recent years it has faced the competition of substitute materials, such as metals, concrete, tiles, plastics and various synthetic building and roofing materials, which have advantages both in properties and in price. Research in this field will, however, make it possible to upgrade structural wood products so that they will not only regain the markets which are being lost, but will find new markets where they will in turn displace

other materials. In the last decade hardboards and softboards, produced from what in many cases had hitherto been considered waste, have become an article of everyday use. The next step we foresee is the development of structural materials in moulded forms from wood, dimensionally stable, solid in colour, and with property strengths now unknown. The development of these new structural materials becomes more and more important as we deplete our virgin timber and approach the use of second growth, small thinnings and other recoverable materials from sustained yield operations.

I do not need to outline to you the history of cellulose and chemical cellulose. May I, however, briefly quote from a recent address by Mr. Clyde B. Morgan of Rayonier Incorporated and Board Chairman of our Company, in which he said:

"Today there's a new gauge for measuring economic progress. It's statistical, but you'll find it has deeper human connotations than the more familiar cataloguing of the number of bathrooms, telephones and radios per capita. It's cellulose, and its per capita consumption by the peoples of the free world reveals more clearly than any other index how near we are to attaining our free-world economic and social goals.

"Cellulose is a basic world commodity. To date it has pried its way into some 500 end products ranging from 'miracle fibers' to ice cream."

I mention it because we take that as granted, but cellulose

and the silky shine of ice cream in the form ice cream keeps is based on our C.M.M. cellulose as a food thickener.

"The many products based on cellulose help to make up what we call our standard of living.

"Recently one authority declared that more cellulose is used by man than any other basic commodity, except water, and it's inconceivable that either cold or hot wars could be won without this most essential commodity."

With the rapid increase in world population and the constant rise in living standards, the demand for paper, packaging materials, cellophane, textiles and other cellulose products has increased very greatly. You might be interested, Mr. Chairman, that cellophane was first produced, I think, in the early '20's in France. The name "cellophane" comes from "cellulose" and the French word "dephane" and we take today for granted, and the Free World could certainly not live any more without this transparent cellulose. The prospective increase will be at an even more accelerated rate. In Mr. Morgan's address, to which I have referred, he also points out that whereas in the United States the consumption of cellulose is nearly 400 pounds per person per year -- in Canada it is below 400 -- in Great Britain it is some 164 pounds per year, in France 84 pounds, in Japan 47 pounds, in Burma 1.3 pounds, and in Indo-China 2 pounds. If with rising living standards, the world use of chemical cellulose

should increase by as little as one pound per capital, the free world's production would suddenly have to rise by two billion pounds or one million tons above today's world production of chemical cellulose of about three million tons. The free world's production of pulpwood for cellulose, mechanically and chemically produced, in 1954, the last statistics I have in hand, is 42½ million tons.

We know that the world demand for textiles will increase enormously. Rayon made from chemical cellulose produced from wood has already successfully displaced silk, wool and cotton in many textile applications and it is successfully meeting the competition of new petrochemical-based synthetic fibres. I am convinced that given a climate favourable to investment, we can greatly expand our output of chemical cellulose from wood to meet the increasing demand for textiles and that we shall be able to do so on an economic and competitive basis. This applies equally to the other uses of chemical cellulose, such as the production of plastics and transparent films, and so on.

There is another potential which is dramatic in its significance. It arises from the fact that wood is two-thirds carbohydrate which, of course, is the most common source of food energy. If the population of the world increases as has been forecast, I venture to say that food products produced from wood will some day be an important factor in removing the fear of food shortages. Unfortunately, we human beings cannot live on carbohydrates only, but Providence is wise, and cattle

and sheep and beasts, they eat grass and cellulose and sweets. In nature feed naturally, they are doing it with poultry today, and couple it with fodder made out of cellulose, but cattle change the carbohydrates into proteins, which we like in the form of meat and so on.

Our prospect of success in developing silvi-chemicals is based upon the background of fundamental research which has been built up particularly during the past decade and on the phenomenal growth of the chemical industry with its unlimited demand for new chemicals with new properties and new uses.

In summing up, may I stress that wood consists of about two-thirds carbohydrates and above one-third, of the weight of the wood, lignin, and that lignin is the world's largest potential source of phenolic chemicals, surpassing coal, oil and gas. Of major importance is the fact that, as a wood product, lignin is a replenishable source whereas petroleum and its related products are exhaustible.

Mr. Chairman, just one short remark. Here on this continent we don't use very much of the available resources I speak about. We don't use lignin sulphonate very much, but we know it will be economical and we will use them as time goes on. At the moment, here in North America, we produce methyl ligninol in the States, yeast and even as a food flavour vanilla is produced from our waste liquor, from part of it, as I mentioned, lignin sulphonate. But in Europe and in the Scandinavian countries during the war, and after the war, it is used as a road binder for eliminating resins, protecting coatings, weed killers,

detergents for soap, and so on. And if I speak now about phenols I mean the acids, which are an important part of petroleum, which will be used as time goes on and the exhaustible resources will diminish. Now, that is our conviction.

May I, Mr. Chairman, speak a few words about water resources. I have attempted to show that in our forests we have a resource which, if properly conserved, has a vast potential for providing some of the basic needs of our rapidly expanding population and making possible its further expansion. We in Canada are also rich in another resource which as an element of energy is essential for further population growth. That invaluable resource is water. As potential energy it exists in abundance in British Columbia, in some of the other provinces and in our vast undeveloped Northern areas.

The history of mankind shows a close correlation between population growth and the supply of cheap energy, with the latter tending to lead the way. With the increasing consumption of energy per capita, the accelerated rate of increase in population must be predicated upon an even greater rate of increase in the supply of energy. It therefore becomes necessary now to plan the development of our energy resources on a large scale. The prospective development of nuclear power, and perhaps in the more distant future, of solar power, should not in any way deter us from planning our economic growth as far as possible on the basis of the cheapest energy, that is, hydro-electric power.

It has been forecast that in the use of

electric energy will double in the next decade with the same rate of growth continuing over the following two or three decades. While nuclear power will be in use within ten years, experts agree that hydro power will still be cheaper. It is therefore in the national interest that we plan to benefit from the economic advantage which our water power resources offer. My recommendation in this regard involves a bold and courageous approach to the harnessing of our power resources in anticipation of the vast increase in demand from both expanding industry and other consumers. Power-consuming industries will, in many cases, follow cheap, available power.

You have heard many submissions on our potential natural resources and on the need for their development. I suggest that to this end one of the basic needs is the planning of water power development, particularly in our Northern areas, on as economic a basis and as soon as possible. A bold policy is essential to accelerate the development of those natural resources on which our economic growth is predicated, and, more particularly, to open up the rich and vast undeveloped areas of Northern Canada. Mr. Chairman, this is our last frontier, as I see it.

Human Resources

I have up to this point been dealing with natural wealth because the economic future of Canada depends to such a large degree on the nature, extent and development of our physical resources. But there is another resource upon which that future depends, and which will very largely determine the direction it will take. In my opinion this is our greatest natural resource -- our people,

and, in particular, the young men and young women of this country.

Your inquiry will show that we can with reasonable confidence foresee the development of our physical resources. We can also, by projecting present trends, forecast our population growth and an accelerated rate of urbanization. But it is more difficult to forecast with any degree of certainty how our people will react in their thinking and attitudes to the social and economic development which lies ahead. In my opinion that reaction will be largely determined by the institutions in our society which mould our thinking -- our homes, our schools and universities, our churches, and the other important organizations, such as trade unions, all of which are an integral part of our democratic way of life.

Our modern industrial society calls for initiative and imagination. It requires higher standards of education than in the past and a high degree of technical training. Mechanization demands special skills as well as a wider knowledge. These requirements must be satisfied as far as possible if we are to realize our economic potential. It is important that we bear in mind the great increase in technical and scientific training in the U.S.S.R. We must not lag behind. May I, Mr. Chairman, just say that I read the other day some figures issued in Washington, on Russian graduates in engineering and sciences, and the figure I got was that in the U.S.A. there are today about 800,000 engineers and scientists, in the U.S.S.R., 650,000, and the office of Allan Dalls, Director of the Central Intelligence Agency, foresees an increase in 1960 to 1,200,000 graduates in

Russia, and the figure in the United States, based on today's studies, is below 1,000,000. But at the same time, Mr. Chairman, I say that technical training and specialized skills are not enough. Nor will the philosophy of materialism alone serve mankind. It is as true today as it always has been that "man doth not live by bread only."

I submit that we should not be dazzled by our bright economic prospects into believing that all we have to do is to help men and women make a good living. That is not enough. Technical skill and training, important as they are, are less important than character and integrity and the ability to think and reason. The young men and young women of today will face social, economic, political and moral problems which mere proficiency at their jobs will not enable them to understand and to solve. To contend with these problems, to exercise their responsibilities as citizens of a democracy, to fit themselves into our free society, they will require better education, guidance and inspiration than that which merely teaches them to make a good living.

I do not propose to discuss here the many problems which present themselves. I shall merely mention one or two. We are told that our population will become more and more urban, continuing the trend of the past half-century in Canada. This means more concentration in larger centres and a relative de-population of the rural areas. It is generally agreed that some of the major human problems associated with modern society are derived from this high degree of urbanization. In my opinion we should aim at decentralization rather than at

centralization of our population. Adequate roads and all the other amenities which are a part of our way of life should be provided as far as possible in the smaller centres of Canada in order to encourage industry and settlement there rather than in those areas which are already in fact congested. I elaborated on access roads in connection with forestry problems, Mr. Chairman, in my submission to the Sloan Commission in British Columbia. If, however, urbanization is the inevitable trend, it imposes a great responsibility on our educational and other institutions to help people adjust themselves to living happily with so many others in urban centres.

With increasing longevity and shorter working hours, there arises the need for education for leisure. This is important unless an increase of leisure is to degenerate into idleness. The prospects of even more leisure with the growth of automation in industry increases the attendant dangers.

There is another problem which has so frequently in the past created difficulties and misunderstandings and which reflects a failure to adjust human relations in modern society. I am referring to the relations between labour and management. Collective bargaining is now properly recognized as an integral part of our free economic society. With the acceptance of this democratic concept, trade unions and trade union leaders have acquired a position of major importance and power. But this has conferred upon them a corresponding responsibility to society which they cannot avoid. Industrial peace depends upon the proper exercise of that responsibility by

labour leaders and equally upon the exercise of their responsibilities by employers. This calls for understanding and skill, and for a new approach to the problem of industrial relations. The need for a proper understanding is becoming more and more apparent with the introduction of new principles and concepts, such as the guaranteed annual wage, which have far-reaching implications for labour and industry and for society as a whole. I suggest, Mr. Chairman, that the forthcoming merger of the two principal labour organizations in Canada may afford an opportunity for a new joint approach to industrial peace based upon a full appreciation of the dignity of the individual in our society.

International Trade

The development of our physical resources and the promotion of the welfare and happiness of our growing population will require that we constantly recognize the realities of our position in the world economy. Canada is now an exporter of raw and semi-processed materials, and the economic future which we anticipate is based upon the further development of our resources. No one can foresee in the next quarter-century or even the next half-century a population in Canada large enough to consume the vast increase in output which is in prospect. As our domestic market grows, we should develop more secondary industries to process our raw materials as far as we can do so on a sound economic and competitive basis. With increased population and improved efficiency in operations, a large expansion in manufacturing industries will take place. Nevertheless,

we must face the fact that we shall continue to be a major exporter of basic materials and we must plan accordingly.

I do not feel that being an exporter of basic materials with which Canada is so fortunately endowed, places us in any inferior position, provided that where it is economic, we process these at home. I am not one of those who believe that a nation incurs an economic loss if it contributes to the world economy by exporting raw or semi-processed goods and importing in return the goods which it requires but cannot itself produce on a competitive basis. It is important, however, that we consistently pursue a policy of buying as much as possible from those countries which buy from us. In this way we not only show recognition of the fact that they are the outlets for our products, but we also make it easier for them to continue to purchase from us. We owe a responsibility to them and by accepting that responsibility we shall promote maximum trade.

Conclusions and Recommendations

I now venture to submit to you some conclusions on the matters which I have discussed. They are as follows:

1. Forest Resources

Since commercial forestry is dependent on research, it is in the national interest that both government and industry should expand research facilities in all fields and programmes in order to promote the maximum economic utilization of Canada's wood resources.

2. Water Resources

Canada's prospective economic growth based

upon the further development of its natural resources, and the opening up of its northern areas call for a bold programme of development of its cheap water power resources.

3. International Trade

Canada should pursue a policy of buying as much as possible from those countries which buy from us in order both to make it easier for them to continue to be our customers and to promote maximum trade.

4. Human Resources

To enable our young men and young women to meet the problems of our society, our schools and universities must be in a position to provide them with the necessary guidance and inspiration to act and to think as responsible citizens of a democracy. Accordingly, we must strengthen all our educational institutions so that they will be in a position to fulfil this important function. We must avoid false economies in this vital field.

It is now almost five years since the Royal Commission on National Development in the Arts, Letters and Sciences (the Massey Commission) recommended the creation of the Canada Council "for the Encouragement of the Arts, Letters, Humanities and Social Sciences." This recommendation should be implemented, particularly in so far as it would encourage the humanities and the social sciences. The Canada Council should be called upon to encourage studies in these fields on some of the complex aspects of human relations in our society, a few of which I have briefly touched on in this submission.

The Government of Canada should be congratulated for introducing the system of financial grants

to our universities, as recommended by the Massey Commission. These grants should be continued and increased. The Commission's recommendation for the establishment of National Scholarships should also be implemented. Mr. Chairman, I make it clear, I say this as a taxpayer.

THE CHAIRMAN: You are not looking for one?

MR. KOERNER: Beg your pardon?

THE CHAIRMAN: You are not going to be on the receiving end?

MR. KOERNER: Definitely not.

We must also take cognizance of the fact that, since only some of our children reach universities, formal education for most of them ends at the high school level. It is therefore important that our schools should be in a position to satisfy the requirements of high standards of education for the growing school population. This is a matter of broad national concern. I therefore submit that adjustments in inter-governmental financial relations in Canada must give consideration to the financial needs of those units of government which are responsible for providing the basic education for all our children. It is the younger generation that will have to solve the problems of tomorrow.

THE CHAIRMAN: Thank you very much indeed, Mr. Koerner. I think we would like to ask you a few questions, if we may.

MR. KOERNER: Yes.

THE CHAIRMAN: You made some very interesting predictions about future uses for wood, on pages 4 to 7, I think it was, and amongst them the suggestion that structural shapes might be moulded from wood, that food products in the form of carbohydrates, which I have always been told to guard against -- I don't know whether anybody else

has to watch their weight -- and then also you referred to the use, a more extensive use, of the chemicals from wood. Would you like to give us some indication when you think these developments might occur on any substantial scale?

MR. KOERNER: May I, Mr. Chairman, make one statement first? If I speak about structural timbers or structural wood moulded and produced in Richmond and New Westminster, I don't speak against the lumber industry.

THE CHAIRMAN: No.

MR. KOERNER: Lumber will always be an essential product and especially locally will never be replaced. But I am speaking from our British Columbia point of view, it might be one day necessary to replace our big trees and to have new uses. That is what we try to study with regard to the chemicals --

THE CHAIRMAN: You don't see that happening in the near future?

MR. KOERNER: I think it might be in the next two decades. Progress is so rapid that I would not commit myself to say it will not happen. On the contrary, I think we should count with it in the next two decades.

With regard to chemicals, I want to speak first about cellulose, chemical cellulose. There is an unlimited field, as I mentioned, and there I quoted Mr. Morgan who gives very interesting, world-wide statistical figures. I think the production of chemical cellulose and the use of chemical cellulose will colossally increase. I make only one qualification, that is whether we will have the adequate climate for further investments, and I think we need for our forestry problems, which were

discussed this morning here, this climate. Without access roads and without an economic understanding of our problem of tenure, our problem of taxes, of stumpage and of royalty valuation, we will not obtain and we will not achieve the goal we all have in mind. And the same applies here to a more rapid growth of our chemical cellulose industry and silvichemical industries.

THE CHAIRMAN: Then another question, Mr. Koerner, you were discussing the desirability of developing hydro power in Northern Canada, and suggested that if that were done certain power-consuming industries would develop around the power resources. Would you like to tell us what industries you have in mind?

MR. KOERNER: I don't pretend to understand enough about hydro power and about the population growth around --

THE CHAIRMAN: We want to check on Mr. Grauer.

MR. KOERNER: Our B. C. Commissioner is the qualified personality. But may I say this, that the old approach, to rely only on arable land for population growth, is in my opinion archaic. Cheap energy is the basis, and I foresee a colossal growth of our northern population in British Columbia and the Yukon and Northwest Territories; and in the east of Labrador and the northern part of Quebec, if we develop as quickly as we can hydro power to use the riches, to use the ores and minerals and the timber where it grows, and bring population into these areas as quickly as possible.

THE CHAIRMAN: Thank you.

MR. LUSSIER: Following the question of the

Chairman about the possibility of using carbohydrates for wood purposes, first of all I want to draw his attention to the fact that carbohydrates from the wood would be converted into proteins, so you don't need to worry about that too much.

MR. GUSHUE: By the cow.

MR. LUSSIER: Second, have you any idea of the quantity of the carbohydrate which it is possible to produce per acre, per unit of area, compared to the farming area with the regular crops that we raise? I mean the quantity by pound or by ton, annually?

MR. KOERNER: I am sorry, Mr. Commissioner, I have no statistical data here, but I brought up these aspects, these broad aspects, of the chemical use of wood because we believe that what we call silvichemicals will be essential to replace one day petrochemicals, and our research should be alert to this point and we should not miss to study and to complete our research. I don't believe that in the next twenty-five years, in the time of your forecast, we will need carbohydrates from wood directly here in Canada.

MR. LUSSIER: In British Columbia do you know such words as "mature" and "over-mature" forests?

MR. KOERNER: Beg your pardon?

MR. LUSSIER: In British Columbia do you know such words as mature and over-mature forests?

MR. KOERNER: Oh, certainly.

MR. LUSSIER: What do you think of the proper use of those words in forestry?

MR. KOERNER: Mr. Commissioner, I don't want

to repeat, if you know our submission, it is just at the moment a very controversial matter on the Pacific coast because we have -- and I think I can speak for the rest of Canada -- we have not yet enough statistical material and studies on all details of yield. To me it is essential that we know what we are talking about, and our company at my request made for years yield studies and I produced the results in our submission, and I quoted also Dr. Orchard, the Chief Forester of the province, with his yield studies he made in the few years before he publicised these figures, and on page 20 of our submission you see what we mean. In British Columbia we have seventy per cent mature timber and I stated before the Royal Commission that I think it is over-mature, that the seventy per cent we classify as mature in B. C. is over-mature timber, if you follow the idea of our yield studies.

MR. GRAUER: What page did you say, Mr. Koerner?

MR. KOERNER: I am sorry, it is page 20 and page 21.

MR. STEWART: Mr. Koerner, you take the position that it will not be possible for us to consume in the domestic market all of the prospective output from our natural resources industries. Do you feel confident of our ability to find profitable markets outside of the country and to make the necessary arrangements to get large markets outside Canada?

MR. KOERNER: I believe deeply in the possibility and the competitive position of Canada all over the world in our forest products, whatever they will be.

MR. STEWART: Thank you.

THE CHAIRMAN: Mr. Koerner, we are very grateful to you. I think everybody knows the great success you have had, largely due, perhaps, to your imagination, which is a commodity that is too scarce, and we appreciate the evidences of that imagination in the presentation you have just given to us and in the broad way in which you have dealt with these questions. Thank you very much, indeed.

Mr. Weldon, we are grateful to you for coming here. We will mark your submission Exhibit 223, and if you would like to start in, please don't look at the clock; we have got lots of time.

MR. WELDON: Mr. Chairman and members of Her Majesty's Royal Commission, I must say that I esteem it a distinct privilege to have been invited to appear before you.

You didn't particularly give me a subject, but I think you intended that I should probably correlate it to the pulp and paper industry in some form. Perhaps with your permission I might read to you --

THE CHAIRMAN: Yes, please do.

MR. WELDON: -- that which I have spoken of here.

In making this submission to you, I propose to discuss some phases of the prospective requirements of Canada for paper and converted paper products, together with a more especial reference to paper board and the packaging industry.

It must be recognized that paper and paper products are almost though not completely ancillary products. Most of the industry must therefore be

considered as a service industry. People (ultimate consumers) do not buy newsprint paper, they do buy printed newspapers; they do not buy paper board or packages made therefrom, they buy the contents of the package, and so on; on the other hand they do buy directly some papers, namely sanitary papers such as facial tissue, toilet paper, paper towels, and so on. Because of this, consumption is dictated to a substantial degree by the rise and fall in demand from other industries, although of course the industry also contributes to its own progress through the development of new and improved products and uses for them.

Consumption of paper and of converted paper products within a country appears to be closely related to the standard of living. It is not an accident that the country with the highest standard of living, the United States, has the highest consumption of paper per capita and that Canada, with what is generally accepted as the second highest standard of living, should also have the second highest consumption of paper per capita in the world.

Much has been said about the unbounded possibilities which Canada possesses for growth and progress. When the attempt is made to evaluate the probable growth and prospective development which will or could take place within the industry for a specific "service" industry during the next quarter century, the problem becomes somewhat more difficult because of the complicated inter-relationships of all those factors which go to make up the national economy.

I might say, with that thought in mind, I have endeavoured in the next two sections to suggest for the Commission some economic overall objectives.

The first is Population: It is basic to a determination of our economic prospects that some estimate of our population be made. There is no doubt but that the Commission has facilities at its disposal for making such a determination with a greater degree of accuracy than can I. Perhaps some comments might, however, be in order:

The birth or fertility rate appears to maximize itself during periods of relatively high prosperity.

Average life expectancy has been increasing and probably will continue to do so.

The growth of population by immigration should, of course, be determined by the rate at which immigrants can be satisfactorily absorbed within the economy.

Many and varied estimates have been made with respect to the population which we may expect in Canada by 1980. Most of these appear to fall between 24 million and 28 million. The lower figure appears to be derived from a reduction in the current birth rate and allowing for little or no immigration, and the higher figure from a continuation of the present relatively high birth rate and a net immigration figure of perhaps 100,000 per annum.

We have a large country, a tremendous potential in wealth, and relatively a very small population. I would like to suggest to the Commission that it is of prime importance to all Canadians that this

country be populated by the right kind of people as rapidly as possible; that even more rapidly our primary and secondary industries be developed so that we may give to the people of Canada a rising standard of living; and that our objective should be to accelerate the pace by all possible means within the maintenance of a sound and continually solvent national economy. Finally I would suggest that a population of at least 30 millions of people by 1980 should be a practical and realistic objective. Adequate encouragement to the natural growth of our population, coupled with sound and selective immigration in reasonable numbers, should make the doubling of our population within the next quarter century a sound policy and a distinct probability.

Gross National Product

Paralleling population, in basic importance to the determination of our economic prospects, some estimate is required of the gross national product, which in 1955 is estimated to be 26.5 billions of dollars, or approximately \$1700 per capita.

Gross national product is, to some degree at least, a measure of our standard of living. Generally as one increases so does the other. Our standard of living and our gross national product increase as our average productivity increases. Statisticians, studying the growth in the economy, over long periods of time, of the United States, have determined that productivity has compounded itself annually at a rate of about two per cent. The rate in both Canada and the United States has been somewhat greater than this during

the past ten years. There is every reason to think that this figure of two per cent will increase rather than decrease for the next quarter of a century or more. Scientific progress as a result of research has been bringing new discoveries, improvements in efficiencies and production methods, constantly growing mechanization -- may I insert there that this new word that has suddenly come to the fore called "automation," is a very important development of the mechanization progress of the country, both in Canada and in the rest of the world. From this research we have also had, of course, a host of other improvements to our productivity. Continuation of research programmes on even greater scales than at present seem, almost at least, to be a foregone conclusion. With an increase in productivity rates and a rise in the standard of living there is usually some decrease in the work year. A higher standard of living, of course, usually provides sometimes more leisure for the people of the country. A net increase of 10 per cent in the productivity factor, to about 2.2 per cent, would I believe be a reasonable expectation.

With such an expectation the gross national product would then become approximately \$2900 per capita by 1980, and the total, with a population of thirty million by 1980, would then be \$87 billion.

I believe that the achievement of these two objectives by 1980 lies in the hands of the Canadian people, their leaders and their governments. Who is to say that the opportunities are not there. It remains but to take advantage of them.

With those two premises I am going on now to the domestic requirements of paper and paper products.

Over the years the pulp and paper industry has grown progressively and rapidly until it has become the largest group industry in Canada. The primary reason for its phenomenal growth was, of course, the decision of the United States to permit duty-free importation of newsprint paper, a wholly manufactured product, and pulp, a partially manufactured product. With this decision, Canada gained a tremendous potential market for these products of her forests.

It is no wonder that, in Canada to the man-in-the-street, newsprint and pulp are synonymous with the industry, especially so when it is considered that in 1965 of a total production in excess of \$1.3 billion, over \$950 million of newsprint paper and pulp were exported.

Nevertheless, the domestic supply of pulp and paper products amounting to about \$350 million in 1955 forms a not inconsiderable industry in itself. To more fully appreciate the importance of the domestic industry, it is necessary to combine with the above figure the added value of converting the paper products of the industry into useful and marketable paper products. Unfortunately complete statistics for the paper products converting industry in Canada are lacking, at least in their availability as public information. However, it is possible to interpolate some of the information available and I estimate this added value to be in excess of \$150 million; that is to say, the paper and paper products industry in Canada, excluding exports, currently has an annual value in excess

of \$500 million. Employment within this Canadian segment of the pulp and paper and paper products industry is even more difficult to estimate because of the natural overlap of domestic and export products. However, an estimate of 60-70 thousand Canadians gainfully employed in this section of the industry is probably somewhat conservative. As such and by itself, the paper and converted paper products industry easily qualifies for rank within the first ten industries of Canada. To these figures must be added \$40 to \$50 million of imports of paper and converted paper products.

Canada thus requires at the present time not less than \$550 million of paper and paper products which represents in quantity some 2,119,000 tons annually. While this figure may seem large in itself, on a per capita basis Canadian consumption is considerably below that of the United States. I come back to what Mr. Koerner said just a few moments ago. For the year 1955 the approximate paper consumption per capita in the United States was 385 pounds, or slightly more than the approximate Canadian consumption of 270 pounds, United States consumption being about 42 per cent higher than that of Canada.

Incidentally, that is actually not too different on a per capita consumption basis than the difference in per capita gross national product of the two countries. In other words, there seems to be some correlation between consumption in both countries and the gross national product of the two countries.

On page 6 of the report, and I do not think I will try to read it to you, is the tabulation breaking

down the domestic shipments of paper products into its various parts and showing also the imports in the various sections. Perhaps I might just highlight the table. Newsprint paper is 430,000 tons; book, writing and ground-wood paper, 240,000; tissue, sanitary and specialty papers, 106,000; wrapping paper, 246,000; paper board, 802,000; building paper and building board, 295,000; for a total of 2,119,000 tons, with 109,000 of imports.

MR. GRAUER: Paper board, what does that cover?

MR. WELDON: I was going to break that down just a little bit later to its two broad classes.

MR. GRAUER: I see.

MR. WELDON: With the exception of newsprint paper, each of the divisions shown above breaks down into a very large number of kinds, grades and sub-grades of paper, in fact an almost innumerable number of varieties.

Within Canada and the United States it is generally considered that overall growth in the consumption of paper is approximately in direct proportion to the growth in the gross national product. It is to be noted that the recent report of the Paley Commission in the United States makes definite use of this factor in its forecasts.

Applying the criterion of gross national product to the current figures we would then have in 1980 a gross consumption of paper and converted paper products amounting to \$1.8 billion and a tonnage of 6.9 million. The per capita consumption would have risen from the

current figure of 270 pounds per capita to about 460 pounds, a figure only 20 per cent in excess of the current United States consumption, and well below the forecast of the Paley Commission for the United States, which was 536 pounds per capita in 1975.

Mr. Grauer, I am going on now to the paper board. Paper board production falls naturally into two broad divisions; that of box boards, having numerous varieties of kinds, grades, etc.; and that of container boards, somewhat less numerous in variety. To try and answer your question a little more clearly, paper board is paper having a thickness and some structural ability as compared with paper which is somewhat more flimsy. The commonest uses, for instance, in paper board are in the corrugated box in which you get your canned tomatoes, in which you get your beer and various other things like that.

MR. GRAUER: I don't get beer.

MR. WELDON: Used for shipping perhaps other things like that, too.

MR. GUSHUE: Mr. Grauer gets his beer in barrels.

MR. WELDON: That is all right, we make paper barrels too out of paper board, sir. We are not to be outdone even by Mr. Grauer.

Box board again has much more thickness and substance and it is more used in the inner containers or the small packages such as cigarette packages, our starches, sugar boxes and products of that kind. The box board is also used for backing, for instance, for

the gypsum wall boards, that we use as a substitute for plaster in so many of our cheaper buildings, cheaper housing. And again it is used for backing for plaster board upon which plaster is added. Actually, in the field of house construction, there are tremendous varieties --

MR. GRAUER: Thank you.

MR. WELDON: Of each of these, but particularly that. Paper board is manufactured in thirty-nine mills in Canada of which eleven are manufacturing paper board only, all the rest producing additional pulp and paper products in varying quantities.

The following table of shipments, exports, imports and net use for 1937 and 1955 is of interest. The year 1937 has been chosen as the highest prewar year and that of 1955, the year we just finished, as the highest since the war.

The total for 1937 of shipments within Canada was 367,000 tons, that is container and box boards both; exports 71,000; imports 5,000, for a net use of 301,000. In 1955 the shipments within Canada were 796,000 tons, the exports were 55,000 tons and the imports were 60,000 tons, for a net use of 802,000 tons.

I might say that in 1937 the box boards were more than fifty per cent of the total but by 1955 container boards and box boards are pretty nearly alike in their quantity.

From the highest prewar year to the highest postwar year there is a period of eighteen years and this period included five years of war with its controls

and restrictions. During these eighteen years the average increase in usage of container boards was $6\frac{1}{2}$ per cent annually, in usage of box boards was 5 per cent annually and in total usage of paper board was $5\frac{3}{4}$ per cent annually. Now should the gross national product grow to \$87 billions by 1980, as I have suggested, this is equivalent to an overall increase of about 5 per cent annually. Following this trend of the 1980 gross national product, a consumption of 1.30 million tons of container board is indicated, 1.35 million tons of box board and a total of paper board of 2.65 million tons. The current United States consumption for paper board per capita is 165 pounds, the current Canadian consumption per capita is 103 pounds. The forecasted Canadian consumption twenty-five years from now is 175 pounds, only ten pounds over the current consumption of the United States. The danger in the above figures which we have just been talking about is that they may be entirely too modest. I fear that rather than the reverse.

Packaging

Like paper board, packaging falls naturally into two broad classifications -- shipping containers, sometimes called shipping cases or shipping cartons, and folding and set-up boxes.

Shipping containers, as the name suggests, are the outer shipping packages in which merchandise is shipped from the producers to the retailer and, in many instances, to the consumer. Generally they are made of corrugated board, less frequently of solid laminated board otherwise known as fibre board. For really large

packages corrugated board or solid fibre board is sometimes used in combination with a wooden framework.

Shipping containers are manufactured to order and specifically designed to suit the particular merchandise to be shipped in them. When shipment is by railroad, each container must conform to the railroad classification and specification; it must carry the stamp of the manufacturer certifying that it does so. Since they are bulky, even though shipped knocked down, inventories in the hands of the user are usually small and a constant flow of shipping containers to the user's plant is required.

More recently, the user has come to realize the advertising value of the shipping container to his merchandise. Shipping containers are now required in a variety of colours and shades, with printing in as many as three or four colours.

Plants are usually located in strategic centres of distribution to minimize transportation costs and to enable prompt and rapid service to users. On account of the seasonal nature of the business and the wide variety of orders, it is necessary that excess capacity in plant, equipment and personnel be available at all times.

Generally, Canadian plants and their equipment are as modern and efficient and well-equipped as any there are, most of them being either new or re-equipped since the war. Competition is keen and progress in new equipment, in improved methods, and in new or better products is constantly being made. In

comparison with similar plants in the United States, the industry suffers only from smaller orders and shorter runs, a handicap which does however affect costs appreciably.

There are 29 plants in Canada located from Halifax to Vancouver, owned by some 14 companies. In several cases the owning companies are vertically integrated, as for instance our own company, which operates our own forests, makes our own pulp which is manufactured into container board, and converts the container board into shipping containers in our five container plants.

Although specific figures are not publicly available, I estimate that the gross value of shipping containers manufactured in 1955 to be about \$90 million, a figure which should become approximately \$300 million by 1980. Again, I have simply used the gross national product figures, sir, which as I said a few moments ago I doubt will necessarily be sufficient in some of these figures.

The folding and set-up box industry uses three-fifths of the box board shipments in Canada.

The manufacture of folding cartons covers an extremely wide range of product-packages which, like shipping containers, are made to order but are even more numerous as to kind, style, colour and printing. Much of the production of this type of box makes use of automatic and semi-automatic machinery in its manufacture and automatic packaging machinery is frequently used to fill folding boxes with the user's product, weigh them and seal them, all automatically.

The folding carton is often described as "the silent salesman" especially where a substantial amount of the merchandise which it carries is sold through the modern super-market. Much attention is paid to design, colour and printing, and the package must have sales appeal.

The manufacture of set-up or rigid boxes covers a similar, or perhaps even greater, variety, from the simplest and least expensive form to the most elaborate and expensive type of box. Perhaps I should illustrate. A shoe box that a pair of shoes is carried in or in the merchant's shop is usually a set-up box. Most of the candy boxes, although not all, are set-up boxes. Then we move over to more of these elaborate boxes for presentation purposes, perfume boxes and so forth, some of which are covered with even Beal leather, Morocco leather sometimes, all known as set-up boxes. Much of the work in the manufacture of a set-up box is hand work and relatively little automatic equipment is used.

There are about 120 plants manufacturing folding or set-up boxes or both, in Canada, although this does not necessarily cover the complete industry. In addition there are some manufacturers of various products, such as cereals and candies, who fabricate folding or set-up boxes solely for their own product, and who are not included in this number. Useful and proper public statistical information in this field is very incomplete.

Excluding some of the companies which manufacture boxes for themselves, I estimate very

approximately that the folding and set-up box industry would have a gross value of production of about \$70 million and that the industry would probably grow to about \$230 million by 1980.

Raw Material

The raw material for the pulp and paper industry of Canada comes from the forest.

The Commission has already received a number of submissions dealing with various activities, policies and conservation measures required for the proper and maximum operation of the forests of Canada and I do not propose to add to these in this brief.

I believe that it will be sufficient to state that the forests of Canada are quite capable of taking care of the forecasted requirements of the Canadian market which I have made, and much more besides.

Just how much more will be a matter of the sound and careful development of these forests and I am sure if this is properly done the answer will indeed be "very much more".

General

In the foregoing certain more or less arbitrary and historical factors were used to establish future trends and objectives for population and for gross national product. The correlation of these trends and objectives to the domestic requirements for paper and converted paper products was used to forecast the probable Canadian demands upon these two industries.

It is inevitable that as we examine the conclusions and think about our future growth we come to

a number of matters upon which there are differences of opinion. For indeed, the direction of our future toward the development of primary and secondary industry; toward the export of materials from our natural resources; toward the import of manufactured goods; and toward the protection of home industry; all these appear to be matters in which there is no broad agreement. Nor am I one to think I can resolve these differences of opinion. Nevertheless I suggest that, in considering these matters we should give adequate weight to our hopes and desires with respect to our nationhood.

I believe and hope that all Canadians take pride in the preservation of our nationhood. As a nation we occupy a large area of the world's surface with relatively a very small population. Our standard of living is high, second only to the United States. We are the envy of all the world and we cannot forever maintain this position unless we populate the land and develop its resources.

In the growth and development of our country we must remember that there is the continual problem of national defence. It must be adequately met with men, money and materials. In this, we are fortunate indeed that we have a neighbour to the south who is not only powerful but who also is both friendly and generous.

The choice is ours and if we choose to remain a nation it is axiomatic that we must become more self-sufficient and less reliant on others.

We must do our share in all things if we hope to survive in this modern world.

It should be quite unnecessary to elaborate

here upon the degree to which as a nation we now rely on others for so many of the things that go to make up our daily living, and our life as a nation.

The rapidity with which we become self-sufficient is a matter of degree and depends upon the development both of our primary industries making use of our natural resources, and of our secondary industries converting these natural resources into manufactured goods.

There are no simple easy solutions to the problems that have arisen and will continue to arise in the adequate development of this country. The problems are complex and difficult and their proper solution requires the greatest possible co-operation and correlation between government and industry. Without the finest kind of understanding between these two bodies our objectives cannot be attained.

During the war government and industry worked hand in hand toward a common objective. The atmosphere was constructive and effective. Today there are times when I am not so sure, and in this statement I refer particularly to the activities of the Combines Investigation Branch of the government. These activities are not such as to breed understanding and co-operation between industry and government. I do not suggest that there be no anti-combines legislation. I do suggest that the law be clarified and definitive, and that it be administered with understanding and judgment. Government and industry should grow and develop their understanding and mutual trust each in the other.

It is characteristic of modern industry, be

it primary or secondary, employing highly paid workers, highly skilled workers, that the product be produced by mass production methods and in such minimum quantities as will produce minimum unit costs. Mass production then must have mass markets.

In one manner or another the truly mass markets of the world are denied to most of the products of secondary industry from Canada, while at the same time they are held open to the products of primary industry when required. The latter is of course so that they may have a secondary industry of their own. There are many variations of this theme but the result is the same.

Canada with its present population of just under sixteen million is limited in its mass markets especially when compared with the United States with a population of about 165 million and an even higher standard of living.

If we are to have some degree of self-sufficiency, if we are to maintain our secondary industries and develop new ones, we must in some manner protect these industries in their home and almost only market.

Kind, manner and degree of protection, and for which industries, are more difficult matters to decide. Certainly those industries already established with well-managed and major capital investments should not be abandoned to an inadequate protection policy.

A selective and far-sighted policy is required with regard to the establishment of new secondary industries. A blanket policy of protection could impede our progress rather than accelerate it. Yet new

industries we must have if we are to progress toward the goal of a greater self-sufficiency.

Because we are a part of the North American economy, because we live alongside the United States, we frequently spend a great deal of time and effort criticizing the nation's protective policies. Perhaps we should spend more time in studying their methods, their policies and their successes, for successful they most certainly are.

The commonest form of protection is of course tariffs. Tariffs and their administration have been, are and will continue to be matters of great controversy. Here for example we not only criticize the tariffs of the United States and their administration, but we sometimes forget that the basic policy of the United States has been, and continues to be, the protection of their industries and of their self-sufficiency. And while we criticize success we frequently fail to emulate it, with the result that we often place important segments of our Canadian industry in serious jeopardy.

Turning back to the paper and converted paper products industry, it should be noted that the section of the industry manufacturing pulp and newsprint paper is the only section which has for all practical purposes any other market than the home market. The home market is, by comparison with the United States, a limited market. It has yet to achieve the full characteristics of a mass market. When this industry was originally established in Canada it received protection which has since been much reduced. It still needs protection as any competent and impartial analysis

of the facts surrounding the comparative mass market situation here in Canada and that of the United States would show. Yet the manufacture of paper is a primary industry based upon the use of one of Canada's greatest natural resources, her forests. However, twenty-five years from now it is to be hoped that the situation will not be the same. If we press forward with our economic objectives; if our population grows; if our gross national product increases; if our secondary industries develop adequately; then this primary industry should no longer need the protection now necessary for its survival.

We stop there, Mr. Chairman. I have attempted to cover this in a very broad way. I am afraid it is a subject that I could go on and bore you with too many pages. I hope it may serve as an aid memo as you are studying the growth of Canada and our economic prospects. Thank you very much indeed.

THE CHAIRMAN: Thank you very much, Mr. Weldon. I am sure we were impressed with the optimistic way in which you have gone about forecasting the future. As you will remember, Mr. Fowler suggested that we should not set our sights too low in thinking about the future of this country, but you are one of the optimistic ones and it is encouraging.

MR. WELDON: Well, sir, if I might comment, I am not prepared to say that that is what will happen, but I am prepared to say that is what could happen. Thank you very much.

MR. GUSHUE: Mr. Weldon, on page 8 you give the imports and the domestic market alike on paper board

consumption?

MR. WELDON: Yes.

MR. GUSHUE: Between 1937 and 1955 the imports have gone up twelve times. Is that mostly from the United States?

MR. WELDON: That is mainly from the United States, almost entirely.

MR. GUSHUE: Almost entirely?

MR. WELDON: Yes. Actually, in 1937 we had a tariff of 35 per cent and a 3 per cent excise. In 1938 it was reduced to $22\frac{1}{2}$ and no excise. Industry, the paper board part of the industry, nearly went broke that year. Fortunately we had a 10 per cent depreciation margin from there on which restored the effect of the tariff. The Tariff Board a few years ago thought we had grown and developed and our own mass markets had grown sufficiently to say that we should live through the tariff which was reduced in 1937, and except for the fact that it is on the thin edge, quite a bit of these imports are specialty products, specialty features that we had not yet fully developed sufficient use for in Canada to have them produced. That is not true of all of the products, that is not entirely true of the containers.

We woke up -- I mentioned in here that we had to introduce colour -- following and throughout the war we standardized and tried to achieve mass production with fewer production of numbers and we woke up a little over a year ago to find that our customers were so emphatic about colour that they were importing it just to get its advertising value. We have met that situation

since, not too easily, but still we had to meet it.

MR. GRAUER: Did you get the idea from automobiles or did they get it from you?

MR. WELDON: Well, maybe it came from both ways. Perhaps we could even give Mr. Chrysler a little credit for having lost his market by not reaching for colour and style sufficiently and having recovered it again this last year. Maybe that has been an inspiration to a lot of people. It does complicate our problem. Perhaps I could develop that for a second, if I might have the privilege.

This mass production of container board is quite a nice problem. Container boards are mainly of two products, the outside, that form the board and the inside material that form the corrugating, the outside is called liner. Two-thirds of the product is liner, or about of the order of 240,000 tons of consumption annually. The last paper machine that was installed in the United States to make liner board of one grade will make about 260,000 tons a year, one paper machine. I am afraid if we had one of those operating here we would have created very quickly one of those monopolies which we also fear in the picture. You have been more than generous, Mr. Chairman.

THE CHAIRMAN: Well, thank you very much indeed, Mr. Weldon. We are most grateful to you and I am sure that the people who are working on this end of our studies will find your submission very helpful indeed. Thank you. We will adjourn until after lunch.

(At 1.00 p.m. the Commission adjourned
until 2.30 p.m.)

Ottawa, Ontario,
February 29, 1956

A F T E R N O O N S E S S I O N

THE CHAIRMAN: We are pleased to see you, gentlemen, particularly Mr. Dupuis. When we have got somebody back the second time that is pretty good stuff. I think we might get under way, Mr. Crean. It is nice to see all of you here this afternoon. We will mark your submission Exhibit 225, and if you are ready, carry on.

MR. CREAN: I am. Mr. Chairman, may I take this opportunity of introducing our delegation. In the first place I would introduce M. Dupuis, President, le Chambre de Commerce de Montreal, and the president of our executive council; Mr. Max Henderson; an ex-chairman of our executive council, who is a member of our Ottawa Liaison Committee, Mr. Edward Wood; our General Manager, Mr. Don Morrell; our Assistant General Manager, Mr. John Sheridan, and our Press Relations Officer, Mr. Douglas Henderson.

THE CHAIRMAN: You seem to be adequately supported.

MR. CREAN: I hope I will be, and I am sure I will.

MR. Chairman, I would like to ask you whether you would prefer that this brief should be read or whether you would prefer that I might paraphrase it, and whichever you would prefer we would be happy to do.

THE CHAIRMAN: We have read it, Mr. Crean. You do whatever you like, but we have been through it and studied it.

MR. CREAN: I think in that event it might be more helpful if I might paraphrase it.

I think, Mr. Chairman, it might be helpful if I began by giving a little bit of the background of the Canadian Chamber. As you may know, the Canadian Chamber is composed of over 720 member boards and chambers, extending from St. Johns, Newfoundland, to Victoria, in British Columbia, and because of that number you will not be surprised to know that over seventy-five per cent of those members are in communities of less than five thousand.

Now, as well as our member boards we have 2400 corporate supporters. You may be interested in knowing how our policies are arrived at. Each individual member board of trade can send in their suggestions for inclusion in our policies. It is screened and then goes before the annual policy committee meeting, which sits at our annual convention, and each board of trade has one vote at the plenary session, and it is by that voting that these various statements are included in our policy declarations. Now, naturally you will understand that this brief follows the general overall policies as enunciated in our declarations in Winnipeg last October.

We believe to begin with that it should be one of the chief aims of public policy that there should be a maintenance in Canada in the years to come of the importance of the personal freedom of the individual, and passing from that we have to believe that the consumer knows what is best in his own interest, the consumer himself, and that the consumer should be free to decide on where and how and when and how much he will

spend of his disposable dollar.

Starting from that basis, of course, you will understand that it is up to the producer to be enterprising because if he is going to capture his share of the consumer dollar he has got to have some idea of what the consumer wants. He has got to find out what he wants and he has to supply those wants in a more economic fashion if he is going to survive. It is imposed upon himself, therefore, that he should have a sense of the ethics and over all make a contribution to public welfare.

Under this system of freedom we feel sure that the standard of living in Canada will rise further and faster than under any other system which has yet been tried out in the world, and a concomitant of that, the producer and those who work in the producing factories and services have got to have reward for their initiative and work.

We therefore, you can understand, are against state controls because they have a deadening effect on competition and a deadening effect on the well-spring of individual initiative.

On the other hand, we profoundly believe that the government has a responsibility, has a duty to enunciate and lay down the rules of the game, the rules of the game of competition, and they have to protect the overall public interest. The overall public interest will include such things as monopolies, whether by producers or by large congregations of individuals.

I think you will all agree that in this country where foreign trade bulks so large, somewhere in the neighbourhood of 22 cents out of every national

dollar we earn, that rigidities are a very dangerous thing and today by various taxes, various taxing authorities, there is approximately 33.2 per cent of the national income goes in taxes, whereas in 1937 there was only in the neighbourhood of 25.1. This is the kind of rigidity with which we are concerned.

Now, passing on to the background review of the last few years ahead to our present situation, we are all agreed, I think, that the progress which Canadians have achieved has been so great, and we think in Canada we have a prosperity which has resulted from various factors and it has been probably due to technological and scientific advances. It has been as well due to increase in the American market primarily for our raw materials. It has been due to a very large foreign investment in this country, the increase in the discovery and production of our natural resources, and as well an increase in our domestic market. And we think that over the last few years, because there has been a freedom in this country, we have seen the example of the effectiveness of the price system at work. the effectiveness of the price system whereby the individual consumer can indicate to producers what he wants and when he wants it.

We must remember though that in this growth over the last few years, the foundation has been the development of our primary industries. These have been accelerated, primarily they got their shove, their first shove and a great growth, due to the war. This was ably carried on after the war was over by the pent-up consumer demand not only in Canada but for rehabilitation in Europe

and also by an increase in the kind of feeder industries which go along with a growth in population and a growth in production.

But we would like to make this point, in our growth there has been a very great change in the proportion of our employed labour force. In 1901 the D.B.S. classified as primary producers of the labour force, 44.2 per cent whereas in 1955 they had dropped to 20.4. Similarly, for manufacturing, it had not dropped, it had gone from 1901, 15.9 per cent to 25.1; and the service industries had jumped from 39.9 to 54.5.

Now, passing on to the social capital, I think we should deal with population. The labour force has been greatly extended in the development of our raw material industries, and I would like to make one point here, we have had a great growth in our raw material industries, but actually in that growth the labour force has not been used only in the production of raw materials, but it has been used, it has been employed a great deal by creating the new factories and these new methods of production, and therefore if this growth should subside, the rate of growth should subside, then the labour force required in this capital development in these raw material industries, will likewise subside.

Secondly, because of this great growth we have had great growth in our new consumer industries. For instance, the increase of the last ten years in Canada of about three and a half million, ten per cent was due to the joining of Confederation by Newfoundland, 72 per cent due to natural increase and 18 per cent due

to immigration.

Now, we would like to make this point. It is probably likely that the rush of immigration into Canada is over and that therefore we will have to make more, we have to do more, to bring in the kind of immigrants which we would like to see coming into this country, and we would like to emphasize that while we have a very high natural increase in this country, our progress will be carried on if we keep our shores open to suitable immigrants and if we adopt policies which will facilitate their coming to this country, but it has to be a more positive policy than we have had in the past to attract similar numbers or greater numbers.

The second thing is education. I am sure you gentlemen will agree that specialization is important in this day and age, but at the same time because of that need and the importance of specialization, there is also a similar need that a proper balance should be maintained amongst our university graduates between those who graduate from the liberal arts and those who graduate from the sciences. This is in no way to de-emphasize the importance of our graduation from the sciences, especially when we have in mind the kind of work which is being done in the Soviet Union to produce scientists, some of us think to the detriment of graduation from the liberal arts in that country. But it is a factor which we should keep in mind.

Another factor is that as our technological knowledge improves and the use expands, it is going to be more important than ever that we up-grade

the knowledge and education of our labour force. It is quite possible that by 1965 our university population will double, and that puts a responsibility on all Canadians to do what they can to make sure that the staff, the equipment and the facilities and the money is made available to take care of this kind of increase.

Turning to the labour force, obviously we fully agree that our aim of public policy should be that of one of full employment, but coupled with that we realize that there are technological changes which are necessary if we are going to increase our efficiency, and if we increase our efficiency we have a better chance of broadening our market, not only at home but abroad. So therefore these technological changes have to take place over the long run even though there may be certain resistance to such changes from some quarters.

Certainly we have a problem here of seasonal unemployment, and we would like to commend the National Employment Council and all those who are trying to cope with it and trying to mitigate some of the greater burden of seasonal unemployment.

May we stress again that our progress is an increasing function of our whole economy, and this productivity can be increased by employee and employer working in harmony, and we feel, too, that in our day and age the right of the individual to follow the vocation of his own choice, regardless of membership in various organizations, should be maintained.

We also believe that employees and employers should work out their own agreements as free

as possible from any intervention on the part of governments and that when these agreements are worked out and signed that these agreements should be lived up to by all the signatories.

We realize and agree that legislation should be of a type which will balance the right of those employees and employers and also on the other hand balance the right of the public and the public interest. Strikes, if they do take place, should therefore take place after a reasonable cooling off period, and we would hope after properly supervised independent ballot.

Now, turning to health and welfare, considerations of health and welfare naturally include these three items:

Prevention' -

Cure and rehabilitation of those who have become ill;

And care of the chronically ill.

We believe that the government payments to the indigent sick should be on a more realistic basis. We also believe, that as some people have said, when catastrophic expenses occur to an individual then there may be a time for intervention on the part of governments with some kind of payments, but above all we need more education in the field of health and we certainly are going to need, as we now know more about the ills of man, we are going to need more facilities. But health is not in sickness alone, we would like to remind you, because the personal payments under old age security and pensions and family allowance also should and do improve

the general health of our population, and those have increased from \$794 million in 1947 to \$1,677,000,000 in 1953.

We believe that in a free society the individual should be responsible for his general medical care, and because of that we are not surprised that there are already approximately six million Canadians who have taken out some form of hospital insurance; five million surgical insurance, and four million general medical insurance; this is approximately, for the year 1954.

We are therefore against compulsory health insurance and compulsory medical care, state medicine, because on the one hand we know that it is going to create, as it did in England, fantastic increases in the costs and also because we do not know, nor do we know anyone who is quite sure of what the real taxable capacity of the average Canadian is.

MR. GRAUER: What about hospital insurance?

MR. CREAN: That is what we would include.

MR. GRAUER: Under health insurance?

MR. CREAN: Under health insurance, yes.

Turning for a moment to business and government, dealing with the monetary policy, we believe that monetary policy, and concomitant with that, a free exchange rate, because of its broad persuasive and impersonal effect, it is the best vehicle to provide a favourable climate for economic expansion. It can be and should be a very flexible policy, and this is particularly important for a country such as ours which has a very great dependence on foreign trade. We depend

on customers who are able to buy on the world markets and they do not necessarily have to buy in Canada. Their government policies, as you so well know, are dictated by their own voters, at least in the western countries, and we have no votes in those countries, and a flexible monetary policy will cushion the effects and adapt our economy readily to world conditions.

Turning to fiscal policy, we feel that the present rates of taxation are definitely on the high side for a developing country. Our present taxation has brought in a great many rigidities to our economy, rigidities which are inevitable, such as defence, rigidities which are new and which are accepted by Canadians and which are of an increasing nature, rigidities of payments under social welfare, and of course rigidity of payments on our combined indebtedness; which means therefore that our taxation policies are inelastic, are definitely narrow, and we feel that as this narrowing goes on and as state controls might be increasing, it has a tendency to restrict the initiative of the individual.

We have gone ahead in spite of this heavy taxation and rigidities since 1945, and I would like to suggest there might be three reasons for that.

One of them is what I mentioned before, the backlog caused by the war, both in Canada and abroad.

The second one, of course, is the tremendous increase in the U. S. market, particularly for our raw materials.

Now, we feel that we are just about at the period when these postwar adjustments are over, and

therefore this burden is liable to become more and more of a dead weight, and we question whether we can progress as rapidly as we have done with this dead weight, especially having in mind that there are many countries fully rehabilitated and back in the world markets and prepared to compete for the existing markets very, very vigorously.

However, we would also draw to your attention that these rigidities may be mitigated by a rising productivity in this country and that rising productivity can improve our position provided we do not continually keep building in new kinds of rigidities into our economy.

Then, just a few words about trade. In 1954 Canada was the fourth trading nation in the world. Our exports of manufactures totalled about 40 per cent of our total. On our imports of manufactures, we had 75 per cent of our total imports.

This points up the problem in Canada of a balanced economy, because I don't need to remind you that at least historically the export of raw materials usually feels the first approach of adversity in international markets.

But with increased industrialization at home and the increase of secondary industry, it is a contrast, as we exist today, between the ease with which foreign competition in foreign manufactures can come into the country -- and we are not suggesting it is a bad thing -- but the ease with which they can come into the country and the great difficulty which our secondary manufactures are having in penetrating not only markets behind the Iron Curtain, but the markets of the western

free world. This brings us to three great problems of our trade policy. First of all, there is the deficit with the United States on our trading account, just under a billion for 1955.

Then we have the problem of the GATT agreements, and a number of signatories who have in various measure and in various degrees tended to contract out. It is unnecessary to go into details.

Finally, there is this whole problem of multilateralism, because we are not quite in the position of the United States, whereas most of her customer countries are in one position in relation to her, she has a favourable balance with them -- there is an exception like Venezuela -- but most of them have an unfavourable balance with the United States. That is true of Canada with the exception of her best customer, which is the United States, because with the United States we have a very healthy, or unhealthy, as you may look at it, deficit, and therefore multilateralism, we feel, is not quite the same thing to Canada as it may be to some other nations of the world as a policy. And that is probably the reason why Mr. Heeney, whose quotation we have included in our brief, said maybe our course is not quite right for the weather which we are sailing through, especially when some of us feel that some of the co-signatories are maybe dragging their heels a bit.

Now, as to a conclusion, we feel very strongly and confidently that barring international complications we are going to be very prosperous and a great deal larger by 1980. We feel that this prosperity can be enhanced provided that we maintain (a) the freedom of

the consumer, his freedom of choice; (b) the freedom for the producer to go out and go after and satisfy the choice of the consumer; and (c) that proper rewards are left for those who give their initiative and work to the economy of this country.

We believe that there should be freedom of religion, thought and speech, and having in mind some of our friends elsewhere in the world, that has to be within the limits of the public welfare.

We are definitely against the all-powerful state where the individual becomes a mere cog in a machine. We turn it around the other way, that the western thought was the kind of thing which goes back to the democratic Greece, which is a thing which is the basis of christianity, man as an individual.

And being a great trading nation we cannot lay too much stress, in closing, on the necessity of flexibility in our economy and the interdependence of one area and one great industry on another. The welfare of those different areas, the welfare of those different industries, such as, for instance, the welfare of our farm products, they have a great influence on the whole of the country, whether you are directly connected with them or not.

Mr. Chairman, it has been a great pleasure to have this opportunity of presenting to you the thoughts of the Canadian Chamber of Commerce, and my colleagues and myself will be happy to attempt to answer any of the questions you would like to put to us.

THE CHAIRMAN: Thank you very, very much,

Mr. Crean. I congratulate you on the way you have summarized this brief. I may have looked slightly nervous when you said you were going to summarize it because some other people have made that suggestion, and then it has taken them about two or three times longer than to read the brief.

MR. CREAN: I have just been about twenty-five minutes by the clock, which was indicated I should be.

THE CHAIRMAN: You have done very well indeed. I might perhaps ask one or two questions to start off with. Under fiscal policy you point out that in view of the expenditures on defence and in security, debt charges, and on various commitments in the field of social welfare and other unavoidable and inflexible expenditures, it is not too easy to reduce, those various items account for a fairly large percentage of the total expenditures of the federal government. Now, in view of the fact that there are pressures everywhere in Canada for considerably more expenditures on behalf of governments generally, certainly in the provincial and municipal spheres in terms of roads and schools and colleges and hospitals and one thing and another, it is a little difficult to see where taxes are going to be reduced. You suggest that the present rates of taxation, both personal and corporation income taxation, are too high. When the Canadian Manufacturers Association were here yesterday or the day before, they complained about those two tax fields. They also complained about excise taxes and sales taxes, but the truth of the matter is surely that the expenditures, the level of expenditures, come first and that once you

settle on what the expenditures are going to be you automatically settle what the tax rates must be. What do you suggest?

MR. CREAN: I think there are two points in that regard, and the first point which I mentioned in passing in the brief, was increased productivity will have some effect on mitigating what is already there and may be able to absorb something more.

On the other hand, and it is the kind of thing which the Chamber attempts to do, there are problems of a lack of understanding of just how taxes are paid. I think it is probably true, and from my own limited experience, there are a great many people and probably quite rightly who look at what they get in the net figure in the pay envelope, and that is what they get. They don't relate that to the amount of taxes which they are paying. Now, I understand not so very long ago there was a place in Canada where they were asking whether there should be more social expenditures, but coupled with that they indicated how much those expenditures were going to cost per year. I have been told that because of that close relationship which was made in that way, they decided they didn't want more government expenditures. And it would seem to me that it is a responsibility of government, if they are going to listen to, and I say they should listen to the clamour for more expenditures, they should tie that very closely to exactly what it is going to cost the individual each year.

One of our great problems is that of education so that the average Canadian will realize that there

is no way he can get from the government, generally speaking, something for nothing.

THE CHAIRMAN: No, but taking your specific statement that both personal and corporate income taxes are still too high, do you think there is anything that anybody can do about it, as of now?

MR. CREAN: I think we can go further, as we are trying to do in the Canadian Chamber, and bring to the appreciation of the average Canadian, as far as you can, that he is not getting something for nothing. And I would hope as we go along, as new requests are made for this and that and the other expenditure on the part of the government, that there should be some relation between the expenditure and what the cost will be. It is not an easy thing, I suppose, for certain purposes.

THE CHAIRMAN: You have not answered my question, but we will let it go. To put another question to you, you quoted Mr. Arnold Heeney on page 23 of the copy that I have, in the section dealing with trade, and the quotation starts off, his remarks, that since the war this country has been steadfast in pursuit of the objective of a multilateral system of trade and payments. And then later on in the quotation he says:

"But the slow rate of our passage towards this international haven -- and the cross-currents encountered -- are causing some Canadians to sniff the wind."

You said you were in agreement with his statements. Does that mean that the members of the Chamber are sniffing the wind?

MR. CREAN: That is correct, and our policy statement very directly shows that from last October, when we suggested the government should have another look at our trade policy.

THE CHAIRMAN: I see. I asked you because I was not quite sure.

MR. CREAN: Yes.

THE CHAIRMAN: In your conclusions, Mr. Crean, you deal with a number of questions, one towards the bottom of the first page there is a reference to agriculture, and the statement that:

"The Chamber recognizes that the prosperity of this country is dependent upon agriculture to a marked degree and that a sound and prosperous agriculture is vital to Canada's future and economy."

Have you any specific proposals or suggestions to make in that regard?

MR. CREAN: No, because I think what you have got to take into account in that regard is the importance of foreign markets to such a very wide segment of our agricultural economy, and therefore what we are able to do is so much a function of what our competitors do and particularly when it comes to farm surpluses, what our great neighbour to the south is going to do and what is going to happen to the purchasing power of the dollar, which up to now they have been evidencing, and which according to some of the pre-election statements looks as though it is going to have a ninety per cent effect.

THE CHAIRMAN: What should we do in this

country in that particular field?

MR. CREAN: Well, I am not a farmer and it is very, very difficult for a non-farmer to give you an answer, but I believe that over the long period we have been in surplus positions before, and that due to unforeseen circumstances those surplus positions have been worked out. I believe, and I am told, that there have been a great many inquiries due to the unfortunate heavy frost in Europe for grain, especially for good quality grain. I am also told that Russia is short of foodstuffs. And between those two, that might have some effect in marketing our present surplus.

Now, that is the kind of thing which I mean by unforeseen circumstances. So often, frankly, what seems to be an insurmountable problem can be surmounted if you stay in a flexible position.

I would like to speak personally for a moment, with your permission. I think you are probably familiar with our own industry, where we are slightly hatless. What that means is that we and the hat trade have got to trim our sails -- our sails for the kind of consumer market which exists. And that is what I mean, I think that is what the Chamber means by the importance of flexibility in our economy. And that is why a few moments ago I took the liberty of stressing so much how little control we have over the people who are our customers in the world markets. I think that is just an example of the kind of flexibility, if I might use my own industry as an example, which we have to face.

THE CHAIRMAN: Just to go back to this

question of agriculture, though, you said here that the Chamber, like I suppose a goodly majority of people in the country, are concerned about the condition of agriculture and recognizes that it is a good thing for the country as a whole to have a prosperous agricultural community.

MR. CREAN: Yes.

THE CHAIRMAN: If you have not a prosperous agricultural community, are there things that should be done about it or do you just wait or hope that the situation will rectify itself?

MR. CREAN: Well, I think the Chamber of Commerce has made the statement that it is not in favour of government regulations. I think that statement still stands. Now, it does not mean some management to carry it over an economic hump, such as I think would probably fall in with this recent legislation which is just in process of going through the House now, to provide some funds for people who are temporarily in financial difficulties. But I don't particularly see where, if our customers don't want to buy what we produce, I think we as individuals, no matter what industry we are in, have to over the long run -- not necessarily -- probably there should be some help of one kind or another given in the short run -- but over the long run surely this economy has to adjust itself to the demand of world markets.

THE CHAIRMAN: Thank you.

MR. STEWART: Mr. Crean, on page 24 you have the sentence:

"The further development of Canada's northern territories should constitute one of the

principal objectives for Canadians over the next twenty-five years."

MR. CREAN: On page 24?

MR. STEWART: Page 24, yes.

THE CHAIRMAN: The first item in your conclusions.

MR. CREAN: Yes.

MR. STEWART: Is there anything which you suggest that we should be doing about this?

MR. CREAN: I have got a little bit confused. What paragraph is that in?

MR. STEWART: It is in the first paragraph.

MR. CREAN: "The Canadian Chamber of Commerce believes" --

MR. STEWART: No. "The further development of Canada's northern territories should constitute one of the principal objectives for Canadians over the next twenty-five years."

MR. CREAN: Yes.

MR. STEWART: Is there anything positive we should be doing about that?

MR. CREAN: Well, I would be speaking rather personally if I answered that because there is nothing that the Chamber has said in its policy as to that, although Dr. Camsell, who I am sure you all know, has been on the Northwest Development Committee with the United States, and I think it was significant that we in the Chamber are doing something that when we have our annual meetings in the west there are several of our members who do go to the north country and see

what it is like. I recall a most interesting trip we had from Edmonton up to Yellowknife.

Now, I think the Canadian Chamber would be sympathetic to any kind of development that might go on in the north, possibly for two reasons: one is too few of us realize how close a neighbour our north country is to Russia and how much development the Russians have already made in knowing how to live and work in climates to the far north, which we as yet do not, will we say, populate to the same extent.

MR. STEWART: Thank you. On page 11 the Chamber believes that Canada should vigorously foster immigration. Has the Chamber any views as to how this should be done?

MR. CREAN: Well, there is a meeting, I believe, with the Deputy Minister of Immigration, on March 19th. There are certain things which the Chamber has felt should be done from time to time. I will give you an example. A year ago we were told that there was a good deal of adverse criticism in Europe when so many stories and newspaper publications came out about the increase in unemployment. It was a seasonal winter unemployment as in the event it proved to be a year ago now. Now, that created, we feel, a false impression on many possible immigrants to this country. They were certainly not going to leave their home country and come out to a country which was not as prosperous as they had been led to believe. Now, we feel that statements of that kind over-emphasize the seasonal character of the unemployment and we feel that kind of thing had a bad

effect on a number of immigrants who might have come to this country during last year. We would hope that the government would take steps to foster -- I can't give you in detail how they would go about it, but we would be prepared to support the government in various policies which would tend to increase the flow of immigrants to this country.

As you know -- I wonder if it would be helpful if I read out an agreed policy; may I?

"The Chamber deplores the very serious reduction in the movement of immigrants to Canada during the past year owing to the failure to develop and implement an aggressive immigration policy and to the very bad and misleading reports in the European press concerning Canada's unemployment situation during the past winter. The Chamber recognizes that economic conditions in Europe have improved vastly and that it is becoming increasingly difficult to secure a desirable flow of good immigrants. The era of multitudes clamouring for admission to Canada has ended. This changing situation calls for a re-appraisal of government policy and recruiting programs and to meet these conditions, the Chamber recommends:

- (a) Aggressive government action to ensure a greater and more continuous flow of good immigrants.
- (b) A more active program of publicity to

to ensure that a true picture of Canada and Canadian opportunities is kept at all times before the source countries.

- (c) That the government extend the present Assisted Passage System for selected immigrants.
- (d) That the government initiate without delay an organized program to encourage more immigration from the United States. In this connection, it is pleased to observe the declining exodus of Canadians to that country.
- (e) That the provisions of the Family Allowances Act be made available to the children of all new Canadians who have made legal entry into Canada, immediately on their establishment in this country.

The general need for an aggressive immigration policy is based on two fundamental considerations of Canadian self-interest:

1. To further our economic well-being, and
2. To bolster our defences during an era of international instability.

(1) A steady flow of selected immigrants, including their dependents, is the best way to build up the home market and improve the standard of living. It also will contribute to the development of our natural resources and to the expansion of our secondary industry.

- (2) In an insecure world, a larger population

is one way to lessen the danger of owning enormous expanses of wealthy, undeveloped territory, only sparsely settled. In a national emergency, it provides a more adequate defence force and under present conditions, spreads more widely the economic burden of defence costs."

And I might add, you may have seen it, but there was recently a book written by Miller and reviewed in the London Economist, there was one of the reports he had made on the decline of the Roman empire during the period of Diocletian, and he set out one of the great problems of the Roman Empire, and he told us there was a very definite decline in her population and concomitantly with that he draws the conclusion that an expanding population is one in which technological change can take place with the least friction, growth can take place with the least friction. I think we have a perfect example of that because when you consider the size of the wagon industry in 1910, in the short span of forty-five years it has been completely displaced by a very much larger industry, the motor car industry, and it has been --

MR. STEWART: The wagon is an unavoidable disappearing market?

MR. CREAN: Yes.

MR. STEWART: What do you mean by a steady flow?

MR. CREAN: We are obviously not talking in terms of months, but I would rather think we were talking in terms of five-year periods, and that there should be a steady flow of immigrants into this country in, say,

three-year periods or five year.

MR. STEWART: You don't think there are differences in the absorptive capacity at different times which might suggest a specific immigration policy?

MR. CREAN: That is why I am suggesting we should take it in a period of three or five years.

MR. STEWART: It would be flexible within that period?

MR. CREAN: Yes, but we have to be careful. The Chamber believes that the stop that occurred a year ago was a bad thing for the flow of immigrants, and the Chamber believes that was a mistake, that it was a very temporary problem and therefore should not have had the effect on immigration it did have.

MR. GRAUER: If you believe in a full employment economy, why are you afraid of a steady flow? Why do you think it should be changed in short periods?

MR. CREAN: Are we talking -- are we not dealing in relative terms? I have pointed out I deliberately took a period of three or five years. I have also pointed out there was a very temporary period when the Chamber feels it was a mistake that there was a stop to immigration due to the seasonal unemployment about a year ago. I would think in a very short problem which would be very much greater than occurred a year ago, there might be some revision.

MR. GRAUER: I can see where you would not want a changed policy if it looked as if it were a temporary condition.

MR. CREAN: Of course it depends now upon how

we are going to define temporary. Obviously we feel in the Chamber that last winter was a very temporary period, and it was so temporary that it was a pity it had interfered with our general overall immigration policy.

MR. GRAUER: You used the term "good immigrants." What do you mean by that?

MR. CREAN: Well, I can give an example of the type who would not be a good immigrant, and that would be the individual who came out here with a job to do for countries behind the Iron Curtain.

MR. GRAUER: You were not thinking of actual groups, then?

MR. CREAN: Not so much.

MR. GUSHUE: Do you mean the same thing when you use the term, the right kind of immigrants?

MR. CREAN: That is correct. I think as we saw in the press consumption has brought a great deal of wealth to this country, somewhere in the neighbourhood of \$400 million.

MR. STEWART: Does the Canadian Chamber support a full employment policy, by which I mean the adoption of such measures as it is possible for the government to take to effect and maintain full employment?

MR. CREAN: Are you talking in terms of overflow employment like some of the trouble some people think they have in England?

MR. STEWART: No, but I am interested in your emphasis upon monetary policy, whereas there are obviously a great many different techniques and devices which a central government can use if it is committed to

a full employment policy.

MR. CREAN: I just finished reading the importance of a flexible monetary policy and the change that has come over monetary thinking, or, shall we say, monetary problems in the world because there has been a great change in the western world too, and there was a very good article by Professor Per Jacobsson in Skanda-Daviska Banken, the Quarterly Review, January issue, and it was pointed out how they had realized that a flexible monetary policy, because of its persuasive and impersonal effect, can be a quick and effective means of turning the internal economies to some of the international problems, and, at the same time, I would assume, being used to maintain a high level of employment.

MR. STEWART: How far would you support fiscal devices to effect employment, for example, how far should taxes be used?

MR. CREAN: Surely one of the answers as to how far taxes should be used is how far in taxes people are willing and able to pay. I am sure that those who think of the future course of economics realize that as large a chunk of the national income as your taxes puts a premium of one kind or another, legal or illegal, on tax evasion, which puts a greater premium on that.

MR. STEWART: Yes, but isn't that more or less a long-run consideration? Are you prepared to have the Minister of Finance consider in his budgetary policy the short-run effect of taxation on the national income and employment; is that legitimate?

MR. CREAN: Well, I think he has been doing it, hasn't he?

MR. STEWART: But is the Chamber for this or not?

MR. CREAN: The Chamber has not actually spelled it out in so many words.

MR. STEWART: How about accelerated depreciation and things of that kind?

MR. CREAN: Of course, that is very dear to some of us manufacturers here, but I am pointing out there are other fiscal policies which for, say, the other segments of the economy will usually at other times have their place.

MR. STEWART: And that is what I wanted. I did notice your emphasis on monetary policy.

MR. CREAN: We are trying to make a difference between monetary and fiscal policy. We feel that fiscal policy is a much more blunt policy than monetary policy.

MR. STEWART: They are all blunt.

MR. CREAN: They are all blunt but there are relative degrees of bluntness.

MR. GUSHUE: I would like to ask one question with reference to your mention of trade multilateralism. I am not quite sure that I have the exact attitude of the Chamber. From the remarks, do I take it that you think multilateralism is not a bad thing, but that you don't need to be closely wedded to it?

MR. CREAN: Put it this way, as a principle the Chamber whole-heartedly supports that principle of multilateralism. What concerns us, though, is the kind practising --

MR. GUSHUE: Defection?

MR. CREAN: All right, that is a very good

word. You have answered it for me. We feel that some countries are not practising multilateralism to the same extent that Canada is. I mean it was surely, we all agree, a great blow when there were certain wide areas of products which were not subject to negotiation at the last GATT agreements by our great neighbour to the south when they said, "This is not going to go through Congress, we simply cannot talk about certain agricultural products." That is pretty tough on Canada.

MR. GUSHUE: You think it is a good marriage but it needs to be closely watched?

MR. CREAN: Well, a good marriage is only a good marriage until one of the partners says, "I am not going to play any more."

MR. GUSHUE: I think I am right in this, the Chamber does feel there are certain particular secondary industries that need more protection?

MR. CREAN: No, that the Chamber does not say, and I would like to make that very clear.

MR. GUSHUE: That is the impression I got, perhaps I read it wrongly.

MR. CREAN: I would like to emphasize we do not say exactly what we would recommend in the way of our problems on international trade. We know what we would like. We would like a different policy in our customers which would enable us to balance our trade more nearly if we can. That, we argue, would make for an increase in total international trade.

MR. GUSHUE: You would not say they would need more protection for some industries?

MR. CREAN: Not if that happened. If that were going to happen it might not be good for the country as a whole to make any change in its tariff policy. That is not saying that there may not be some industries in some sections that may still need some kind of protection. But the Canadian Chamber, I would like to emphasize, is a very broadly based organization.

MR. GUSHUE: And diversification of interests?

MR. CREAN: And there is diversification of interests in the Chamber. And what concerns the Chamber at the present time is the adverse trends that are going on in world policy in reference to trade because we realize if these trends continue our Canadian policy may not be in its present position too long. It is the trends that worry us. The Canadian Chamber has not yet got a policy to say to the government what we think they should do.

MR. GUSHUE: You think the government ought to do something, whatever is the right thing?

MR. CREAN: The government should have a good look at it now and keep having a good look at it.

MR. GUSHUE: Give it the best thinking?

MR. CREAN: And if I might just digress here for a moment, that is one of the things I have tried to stress in the opportunities I have had to speak in different communities, that those different communities as Canadians have a job to do, to think about, if these trends continue, where that is going to land us. It is the same kind of thing I was trying to point out, there should be an increase in informed opinion on that subject.

THE CHAIRMAN: We have got to do some specific thinking on the subject, that is why Dr. Gushue was hoping you would be able to be more specific.

MR. CREAN: As a national organization you can therefore maybe understand why we cannot.

THE CHAIRMAN: Thank you very much, Mr. Crean.

MR. CREAN: May I thank you again for this opportunity to be here?

THE CHAIRMAN: We might take five minutes.

--- Recess.

---After recess.

THE CHAIRMAN: I think we might as well come to order, and if you are ready, Miss Whitton, we will start in. We would like to mark your brief for the City of Ottawa as Exhibit 225, and your own remarks Exhibit 226.

MISS WHITTON: Mr. Chairman and Mr. Commissioners: the brief for the city in its preparation has been the responsibility of Dr. Rowat of Carleton College, of the Department of Public Administration, who is here, and in the preparation, as he points out, he has had the help and continuous conference as he desired it with our departmental heads. In addition to Dr. Rowat there are here the City Solicitor and Mr. Lowther, the City Finance Commissioner; Mr. MacDonald, the Commissioner of Water Works, and Mr. Pillar, the Director of Planning and Works, two departments which we have put together. They are here and available, I think partially on behalf of the Board of Control to see that I don't say anything that is not in the brief. I can say whatever I like and offer any opinions or questions on various

matters that might arise.

Since you have had the briefs, and both are necessarily extensive, I would suggest that instead of attempting to read in detail either, I should touch on the main points in both, leaving it to you to ask any questions as I go page by page through them.

Dr. Rowat's brief for the city, which has become the city's brief, is set out, as you will see, in a general explanation of certain methods which he followed for his deductions and conclusions, and in certain general observations which have already been before you, sir, I think from other cities and other mayors, and municipalities' submissions.

So that with the first valuable pages of his which form the introduction to the development of his brief in the general trends in the municipal field and in the trend to metropolitan areas, I shall not deal in detail beyond pointing out that, as he points out, these trends assume in respect to Ottawa some very particular manifestations, even more so than in respect to Toronto, which is usually the distinguished exception to every city, but even in respect to the Toronto metropolitan area, in that we are the capital and therefore we have assumed certain problems which are not of our own making, in some degree.

THE CHAIRMAN: You don't refer to the government as a problem, do you?

MISS WHITTON: Beg your pardon, sir?

THE CHAIRMAN: I wondered whether you were referring to the national government as a problem?

MISS WHITTON: Yes, sir, for the City of

Ottawa, in many respects, and also I do not think there is any other city which has the problems, sir, that by vote of the people one member of parliament is sent from each municipality or each constituency to be a resident of ours for some months with all the problems they have, problems they think they may have, and they have felt for a certain number it is maybe a life appointment, so we have very prominent representatives of all municipalities in Ottawa for certain months of each year.

But there is the situation that Dr. Rowat touches on, on page 4, and mentions earlier on page 3, and that is Ottawa is different in this degree or in this nature, because its growth is so definitely parallel, unlike most of the cities or metropolitan areas, to the functional growth of the country itself. For instance, when you have either depression or great prosperity, or conditions of war or emergency, you always will have consistently a growth in your government to deal with it, and particularly your central government. So that Ottawa will not fluctuate greatly, in fact in a depression while we might have less trade from our light industries or the related plants to the timber industry some fluctuation, we would more likely have a stable population because the government itself would have to increase its functions and responsibilities.

Then also there is the fact that we could be faced with a sudden great recession if developments in nuclear and atomic energy and the possibility or the actuality of war would require the planned decentralization perhaps in industry, and thus Ottawa could go down very fast in its population by the decentralization

of government -- the planned decentralization of government.

Then there is this other peculiar aspect of our problem, which is mentioned on page 4, that Ottawa was the first, and, as Dr. Rowat points out, so far the only major city that has tried to meet this question, it is the middle of the page, of fringe areas by most substantial annexation. Others have done moderate annexation or developed a metropolitan or a co-operative community arrangement, Ottawa on the other hand took the whole thing at once, increasing its area by fivefold from six thousand, roughly, to thirty thousand acres.

There is also the other question in the introduction here, and on page 4, that there is great confusion between the problems of Ottawa as the capital and what is rapidly becoming the capital district of the Dominion, across the north shore and extending into the north shore, municipalities of another province and under another jurisdiction, and also extending along the river to the south shore east and west, so Ottawa has in the municipal area two problems, its problem as a city, common to any other city, and its problem as the national capital and its problem as the focal municipality of this enlarging capital area. So there we have a peculiar situation, with these other strains, as Dr. Rowat points out, the slopping over, as it were, of industrial development which we may have in greater degree with the St. Lawrence waterway in our areas.

The accumulated needs for social capital, those Dr. Rowat develops in relation to any community in the next pages of 6, 7 and 8. The increase in

municipal debt, the decrease in the portion of funds available from revenue for municipal expenditures, the shifting of the populations, the increase of the youth element in population, the increased demand for care of the aged, the demand for hospitals, very heavy urban services, traffic congestion, and so on. Those go to page 10. They are all covered in their general application and there their particular application begins for Ottawa. And here I do not think there can be over-emphasis placed on the tremendous significance for the city itself and for the country as a whole as to what is to be done about containing the city area within the so-called Green Belt -- the boundary zone, I would prefer to call it.

I think we have a lot of misunderstanding and confusion from calling it the Green Belt. It is really a boundary zone. You zone areas of population put to land tax, and that is called a Green Belt. It leads to confusion and great concern -- it is officially so-called -- on the part of people and farmers holding land in it, that there will be no development but parkway and no such activity but that of park lands and the like allowed, whereas properly conceived and developed in accordance with an official plan and the revised plans of the F.D.C., it will allow different forms of light industry and other developments within it.

Well, if we are going to discuss Ottawa at all, we have got to have some early solution as to the boundary zone, or the Green Belt, and as to whether

that is going to be observed and enforced. All other things are related to that, in the relation of the development of the national capital plan which is going to take millions from the dominion treasury, quite apart from any claim of Ottawa as a municipality, realignment of the railways, all this great development, and they are going to involve more also for the Dominion, as Dr. Rowat points out here, because of our difficulties, the very heritage of the city in power, the great rivers and waterways, give us out of our thirty thousand acres some three thousand, roughly, of waterways in the city, meaning tremendously costly development through the capital area in bridges and in traffic, in overpasses and underpasses. And that question of the boundary zone or the Green Belt affects us in two or three ways. If it is to be established and observed, our growth may be looked upon as rather a steady pace, with a population, at least part of it, of the civil service or the Crown companies, with industrial development only of the light and commercial type that would group about a big metropolitan area, and the planning of the demand for the costly fringe services.

We are doing the most that we can in the city, as is set out on page 15 and some further references further on, in trying to hold that area by refusing to extend our water and sewer services beyond the limits, and by declining building permits until those services have been approved by the Municipal Board, but there is quite a fundamental question which falls right, I think, within the scope of this Commission,

and that is, if this area is to be preserved there will have to be compensation that will run into tens of millions of dollars for the owners within that area, and that means an official plan, I mean, because one man with his farm is caught within the boundary zone, he cannot be held there and just by virtue of no permit, and the man across the fields outside the boundary zone allowed to develop and sell for thousands and thousands of dollars an acre for subdivision and development, and we are caught right there at the moment because of inability to get the areas within the national capital plan to agree with the city on going in on an official plan. We are going in a circle because the F.D.C. with a great ^{deal} of justification, and this is a matter that will come before the parliamentary committee, but because of these costs and their relation to this city cannot be ignored by your Commission -- the F.D.C. cannot commit itself to compensation unless there is some plan, some direction, other than speculative.

Now, as that is developed or held, as I said, manufacturing and industry will take one turn or another, and we have, unlike most of the larger cities, a very small proportion, only about twelve per cent, as is set out on page 16, in manufacturing.

If this agreement can be reached, as is set out in the next few pages, we can provide, we are providing, service sites for these smaller industries, but as that major question is settled, so do we know what our population will be and the nature of it.

Now, if it is settled as the national capital area and the boundary zones set, we shall have

that balanced development of our people, they will largely be salaried people with their income over a period of years largely in a fixed range, and there is no city in the country that has a greater obligation to try to bring about collaboration with governments on fairly stable imposts of their people, because we won't have the possibilities of big fluctuations from industry and manufacturing. Our income will be, as it has become increasingly so, to an increasingly satisfactory degree in the last three or four years, partly tax lieu payments, partly payments under special agreements as to the national capital, and then taxes that we now get from the legations. Well, if you can accept Ottawa in that setting and assume the holding of the boundary zones, then as is developed through pages 19 and 20 -- and Dr. Rowat questions whether there would be annexation possibly of Rockcliffe and Eastview -- I may say that I cannot see that within any reasonable time in the responsible concept of any elected members of the City of Ottawa, I think there it will have to be partnership with those two communities, they have no large undeveloped areas that would justify such drastic action, and I think the basis we are going along on, that of certain services on certain relationships, is the more satisfactory one -- but you will see that Dr. Rowat and our officials have assumed the establishment and maintenance of the Green Belt on some official plan, and therefore, as set out on page 21 we set the forecast by 1980 of 330,000 for our population of the city and 375,000 for that of the urban area, taking Eastview and Rockcliffe.

We point out that there are 16,000 acres of open land -- that is, on page 21 -- within the Green Belt available for subdivision, half in the city and half in the townships of Nepean and Gloucester, which shows the tremendous importance of subdivision control and the understanding of the dominion and the provincial governments in it, and the establishment of the Green Belt in relation to this whole area.

Assuming these considerations, then as on page 22, you will see that there will be a costly increase, in the middle paragraph, in the proportion of children or of old persons, with increased educational, health and welfare services; and on page 23, the probable rise in the proportion of children under fifteen will go from 25 per cent under fifteen to over 32 per cent in 1960. And while there might be a slow decline, at 1980, 29 per cent; and in the high school, which the proportion is expected to jump from 32 per cent to over 40 per cent by 1960, and by 1980 the proportion of young persons under twenty will not have declined and may have increased.

In the next paragraph, and largely again here we are out of range because we are a civil service city and superannuation provided for widely to its general level of the population to people of sixty and sixty-five, that we can expect the percentage of people over the year ^{from} sixty-four to increase/eight per cent in 1951 to nine per cent in 1980, a very heavy increase.

So that while the total population will have increased in the decade from 1950 to 1960 by 24 per cent, the number of children under fifteen will have

jumped by nearly sixty per cent; and by 1980 -- page 24 -- while the total population will have increased by two-thirds over 1951, the number of children and old persons will have almost doubled. That throws, as you see in our submission, a really heavier percentage than the average into the health, welfare and educational services.

Then, if you take that background to page 26, and take it as the basis on which our officials have worked with Dr. Rowat, you will see that we estimate that the next quarter century we will require over \$550 million for gross capital expenditures, including everything but hydro, which will add another \$50 million; and if you take away the utilities, the services to be supported by taxes may run over \$500 million, half a billion dollars in their gross expenditures; and about \$200 million of that would be paid for by the property owners, public subscription and higher levels of government. And unless these latter are increased the general revenues of the city would carry \$300 million and those do not include the capital expenditure for the separate schools, which will be equal, we figure, to the public schools, eventually. They don't come out of the tax funds, they do come out of the special levy that we collect for the separate schools. They must come out of those people and they will be the same, except while the separate schools are built much more economically than the public schools, the population is increasing more rapidly, and there will be several million then.

Now, of this half a billion dollar expenditure, streets, sidewalks, highways, bridges and sewers may cost about \$345 million with the city's share nearly

\$240 million.

The capital cost for public and high schools will run to over \$33 million of which \$28 million would be carried net by the city.

The capital requirements will be more rapid in this next decade, and then in that decade it will be \$150 million estimated for the City, an average of \$15 million a year, and if they have not a mayor who sits on expenditures as tightly as the present one, it will be more rapid, and it is a very uncomfortable thing to sit on, Mr. Chairman.

The figures also include over the earlier periods a lower rate because of another arrangement that has been very satisfactorily and unfortunately is now being suspended for some months until the parliamentary committee reports. We have an arrangement with the Dominion Government through the F.D.C. -- we got it in the end of 1951 -- the accelerated works formula whereby, by figuring the rate of interest and the number of years for major works that are set forth in a joint report to the F.D.C. and the city, the famous Gore-Storrie Report, we are paid in advance of need that number of years in our debentures and that interest rate, and that is giving us now advance services that we have put in. That helped, we think, the development, and will help ultimately in the system, it is giving us income and relationship equivalent to an additional \$7 million debenture, but that has been temporarily held up pending the inquiry into the national capital area, the parliamentary requirements on the last application. And should that cease or be modified, the

needs of Ottawa would greatly increase.

For instance, to illustrate, where the new developments are going in, new public works out around the George Dunbar bridge, we will be putting the water main out there several years in advance of need, and in order to allow that development of the Dominion out through there, this formula comes into play. It is much better than the only flat rate formula that used to be horse-traded for, it is worked on a formula of the cost.

If you will also take the time, we are trying to help ourselves in this community, at page 27, by the imposition of the 3-3-2 formula, it is called, which has been in effect since 1953, whereby the subdivider pays \$3 a foot for water, \$3 for sewer, \$2 for road surfacing, with part of his general cash payment, which relieves us from interest on our share, gives a more realistic price to the purchaser, and, as you see, in 1955 alone, fifteen subdivisions have provided us with \$1½ million, that is a substantial amount in respect to the local improvement debentures of this city.

In transportation, of this half billion dollars, nearly \$180 million, of which the city's share will be over \$100 million, will be for transportation alone, bridges, arterial highways, streets and sidewalks.

We were instrumental this last year in getting a special amendment in Ontario which will benefit several other cities than ourselves, with the subsidy on the connecting links that we build from 50 per cent from the province instead of one-third, as set forth

on page 28. There I have to explain parenthetically the pavements and sidewalks, of which we now pay ten per cent roughly, will have to be surfaced more heavily on the feeder routes and the city's share will go up within five years to almost 30 per cent, and for the whole twenty-five years the city's share for sidewalks and pavements of this type will be \$2 million, and the benefiting property owners 10.4. Now, that must come out of their individual income.

^A And in reconstruction of sidewalks in which Ottawa has a habit of only charging the abutting property owner with 10 per cent, because they have paid the whole cost, we will require \$5 million.

In traffic programmes and control, on which we also have a master plan, you will see on page 30, that capital needs will be \$175,000 for these immediate five years, \$50,000 for the next, and then altogether, \$525,000. The heavy capital expenditures will come for modern interconnected systems now, and then for maintenance and subsidiary developments.

On page 31 we have calculated that that expenditure now 35 cents per capita will go to 50 cents per capita in the next five years, and then likely continue at that level; and the street lighting, which is now 95 cents per capita, will go to \$1.50. That is the estimate here.

In the sewer and water services we also have the Gore-Storrie master plan, and you will see at the top of page 32 where I referred to the F.D.C. accelerated payments, that is where that figure is, but

in the middle paragraph for capital expenditures for sewer and water services, they will run to almost \$135 million as the city's share for sewerage, and \$23 million, excluding the benefiting property owners' payments as to water works.

We are an extremely costly city in which to lay either water or sewer. We can, because of that, point with pride that we are either rock or swamp, there is no middle course, and you are either slinging your mains and sewers on cribs or piling or you are blasting rock that you nearly have to get out by hand in some cases, or you will blow up the city. It is very costly. And during the first ten years the capital costs will be particularly high. The city's share for sewerage is estimated to be \$75 million, and the department's, that is, the city's share for water works, \$16 million. That is because the big collector sewers, the big water mains, have to be built and you will have some years of looking after the debentures before continued property development through lateral sewers and settlement would pay for them.

And there is, of course, this question of sewage here. Whenever a senator or a member runs out of a topic they talk about the pollution of the Ottawa River as if they had not brought it about themselves in large part.

The city's plan of the Gore-Storrie Report calls for a plant in which we have been assured of federal participation of about \$8½ million at Green's Creek down to ^{the} east of the city, but the collector trunks to it will cost about \$30 million, and it is of some use,

but not exclusive use, for the City of Ottawa to attempt, say, to reorganize this service and develop it; we will have to have allowance made under the Assessment Act to instal the plant because some of it is well outside the city in the township. But the heavy waste coming into the river is coming from far north, from all the Chalk River development, deep down where there is a very serious problem of disposal of radioactive waste, it has to go down both sides of the river to away below the Lake of the Two Mountains, on both sides of the river, industrial waste, sewage. So the City of Ottawa took the initiative this year in getting the Premier of Quebec and the Minister of Public Works and the Chairman of the F.D.C. together in an attempt to work out a River of Ottawa authority, and unless we can each hold our Ontario and Quebec waste within our respective provincial territory, and still the federal have a middle channel down that river, I don't see how they are going to get the waste disposed of amicably. But it is going to be a matter of millions of dollars, and part of it is going to concern -- it cannot be carried by twenty-two or forty municipalities, and Ontario has set up an authority and Quebec is setting up an authority and we are assured that there will be, we hope there will be, this combined authority. Ottawa has called one meeting at which practically every municipality on both sides attended, and had a joint chairman from Quebec and a joint chairman from Ontario. The Quebec report, which Mr. Duplessis arranged to have done by the University of Montreal, is complete, and the Ontario report, much more complicated because of the

much more necessary detail, is about available, but it is a very heavy capital project here and so we have put in \$40 million for our share of the sewage disposal in this.

Then we shall need another filtration plant. Our system of universal metering brought in two years ago will bank that and reduce the cost, but it will be required at about \$5 million, the feeder mains at about \$6½ million, and then \$3.7 million for the large feeder mains.

The next section deals with schools, and on page 34, at the bottom of the page, you will see that the public school enrolment will move over fifty per cent in the next ten years, and that this will require an increase of \$5 million for classrooms, sites and teachers. Now, by 1980 that will have doubled to nearly \$9 million, and should your birth rates or prices increase those will be revised upwards.

The separate schools, as I pointed out, not in this brief, will take that same amount from the separate school supporters.

The collegiate institute board figures are set forth in detail in the next pages. Dr. Rowat makes the suggestion there that because of the 1600 high school students in the private secondary educational institutes of the Roman Catholic Episcopal Corporation, we are relieved of that burden as a tax burden, that we may have, as it increases, the cost of the increase, and His Eminence the Archbishop has a campaign now for \$2 million, as this increases and there is an impact on the income of the Roman Catholic population we may have a flow over of some of these into the public

secondary school system. On the other hand, I think it would be rather a development of improved technical as well as practical educational institutions within the church's own resources. So that that has to be thought out in the capacity of the people of Ottawa to pay.

So at the bottom of that page you will see that the collegiate institute board estimates by 1980 practically \$28 million, over \$8 million in these immediate five years to 1960, \$5 million for the next five, \$4.6 million, and then finally, \$7 million. And of course those figures may be affected by the announced policy of the Ontario government last week that it will develop throughout the province ten technical and vocational colleges. Even so, the pressure on the city here to provide these composite collegiates, they are so costly, may not be so great, if the province builds a big institute say recently at Smiths Falls and another one between here and Cornwall, but those were valid when they were made.

In the health situation you will see on pages 38 and 39 that for active treatment beds, and assuming that we are going to develop within the Green Belt, that we are catching up with the small building campaigns, our immediate shortages across the board decline, our hospitals operated by various institutions and our own Civic Hospital, and the building of district hospitals, but also you will see that nearly 40 per cent of the patients -- at the bottom of page 38 -- in Ottawa's general hospitals come from outside the city, nearly 20 per cent from outside the county -- that is a higher percentage than you will find in the

average city of our type -- and when you consider that a great number from across the river, from the jurisdiction of another province, ^{come} to the official hospitals here, the problem both in administration and cost is particularly complicated.

Our big demand is going to be, as you will see on page 40, for more beds for convalescents, chronically ill and aged, and Dr. Rowat sets forth the basis of his deductions whereby he estimates that total capital requirement of \$15 million.

The Civic Hospital is set forth, its programme now under way, and therefore our costs for that may be small because of the millions we are immediately putting in.

I am going forward, to the future, and for all types of hospital beds, page 41, it will be \$700,000 for each five-year period and about \$3½ million by 1980, that is without heavy renovation and replacement.

The public health extension with four new health centres in the expanding areas is mentioned on page 42, \$185,000; or if you take your public health expenditures at \$1.88 per capita, as set forth there on page 43, it is estimated that will go up ten or twelve cents, \$2, and that with the development of the so-called health insurance scheme, the total budget of the health department would be increased by perhaps 45 cents per capita in the first ten years, 15 cents only of increase to the taxpayer.

In our welfare, the child welfare, unemployment relief and hospital care for indigents is presently \$1½ million, set forth at the bottom of

page 43, and we do not anticipate that the unemployment relief costs will go up much, because we anticipate provincial and dominion legislation. The burden for indigents and for hospital patients you cannot anticipate because you may have the compulsory hospital insurance for the convalescent and chronically ill, and so on.

And the requirements for institutional care, expansion of home nursing services, you come down through those developments, page 45, where the cost to the city under existing legislation, at \$2500 a bed, would be nearly \$6 million. This might, however, lead to savings in the hospital patients.

In housing and redevelopment it is anticipated that over the twenty-five years, on the basis of what we have done on 626 units at a cost of \$6.6 million, on which we took ten per cent, that there will be an expenditure of \$81 million in the next quarter century, of which the city would take \$8 million, and that is apart from any schemes of slum clearance as such.

In recreation and libraries, it is anticipated on page 48 the recreational total would be over \$4 million, but I wish to say that we are presenting a study made by the departmental heads and compiled by Dr. Rowat, but I do not think the board of control or council could accept this figure as not excessive with the other essential demands we have. I think it will be a long time, with Ottawa faced with hospitals, with sewage and water installation, before we will build six indoor rinks at the cost they would be. This is set forth in relation to the possibility of broad development for leisure time

activities. I think it is high.

But library extension, on the other hand, is set at, capital expenditures, \$350,000 for main library and \$75,000 for branch libraries; then by 1980, \$650,000 at an increase in the library rate likely to be very factual.

In the fire and police protection the total for the five-year period for the building of new fire stations -- that is page 50 -- will likely be about \$625,000 -- that is equipment and all and the building of these new stations, and it will be necessary as buildings are cleared for parking and government buildings to relocate some of our existing fire stations. That will be about \$450,000 capital, as set forth in the middle of page 50. And over the whole period, capital expenditures for fire protection may total about \$2 million.

Now, the picture in police is not so costly because after having had an old building which has been nothing but a rat warren for some sixty years we are now building our new building at a cost of slightly over \$1 million, and we have realized that entirely from the sale of lands in our annexed area, or some part of a good surplus in recent years, and also from an amount of money that we had in reserve far in excess of our actuarial requirements. The City of Ottawa, when the Province of Alberta announced in Mr. Aberhart's day that they would not meet the interest on the bonds at that rate, the City of Ottawa being cautious started to set aside money because they had those bonds, and they went on, and when Alberta through various factors proceeded to honour its bonds, Ottawa in the undisturbed

way we had had, went ahead putting that money aside from the sale of bonds until we got that to nearly \$900,000. We have been taking and using some of that now. So that this big police capital expenditure is being met with very little borrowing, about \$200,000, and the building is now under way, it will be well equipped. And as we introduce patrol cars and radio communication we won't need as many branch stations, we will need one or two, and it will be in administration and it will run to about \$1 million over the next twenty-five years.

In public transportation things have been urgent; we have introduced zone fares, but there we have a very serious situation as has every city in its mass transport outlays, and you will see that the next ten years, to retire the rest of our streetcars, get a model motor transport system, we will require twenty-two to twenty-three million dollars.

In the hydro electric power, certain works now under way will provide certain transformer and other services into quite a long and indefinite future. Nuclear energy, we were told Monday at the Hydro meeting, in Ontario may change the picture somewhat, but Hydro will require \$50 million more. However, that will be raised on the city's credit, but retired from Hydro's own operating income.

We shall have increased operating income because our very profitable contract with the Gatineau Power expires in 1968, and we will have to pay a great deal more, as we are now even under that old contract, to Ontario Hydro for our power. But against that the

Ottawa Hydro with the Ontario Hydro's concurrence and the city's blessing, three years ago we began retiring over \$100,000 a year into a reserve, so that in 1968 we can take the bump in that change in rates, we have got the equalization.

Then, we have no City Hall. We have not had for twenty-five years. We are presently hoping to build one, which we have a site for, at least we have had it for thirty days, but we have not had one for longer than thirty years, whether we will keep it longer than that. We have applied for debenture borrowing for \$3 million for that structure.

Dr. Rowat points out here the very, very heavy impact of the educational costs which have so heavily risen, and also which I think is one of the most important needs, that and our great need for capital and for current work is being obscured, and that is that the municipalities, even the smallest, will have to work on a group scheme with the largest, and we are moving into changing conditions of requirements today, personality of quality and experience, that is going to involve a complete reorganization of municipal personality and lay a much heavier cost upon providing adequate personnel, adequate in numbers and training, and that will be more difficult for the municipal governments so close to the people than any other form of government, because when the person who wants the post or the parents or relatives are simply living on the same street as the aldermen are in the same flat or building as the applicant, the question of setting up personnel practices, academic and experience standards, it becomes much more

difficult than for a government removed somewhat from the immediate scene.

THE CHAIRMAN: How do they handle that in cities and states where they have city managers? Do they manage to put in these policies?

MISS WHITTON: Yes. The city manager, though, I think, Mr. Chairman, becomes patronage and without election.

THE CHAIRMAN: I see.

MISS WHITTON: Personally, I think the city management, manager principle, is all wrong in the municipal democracy structure of the British democracy. If you have honesty you can substitute good city management for city manager.

THE CHAIRMAN: It was a mildly leading question, I suppose.

MISS WHITTON: Yes. I may say, Mr. Chairman, that within the City of Ottawa with blood, sweat and tears I think we have managed to improve the situation perhaps partly because we have the influence of the federal service here, but we have set up in the last three to four years, the professional people within the services, within the federal service, have set up an advisory institute.

Then, we have our Ottawa municipal services, which have both the inside workers, non-professional skills, which appear in the sanitation, street cleaning and sewage staffs, and we have a central labour employment registry. Anyone may write there, anybody apply there, and the applications are all routed there,

all appointments are advertised, and then the recommendations come through.

We have done the same with respect to trucks, hire of trucks, that apply to work for the city; they are registered and they have priority rating as to their services and costs. And these are typical of what I indicate, but we are in a transitional period now.

The other thing that comes up frequently, which makes it so difficult for the big growing community or any municipality in Canada to get itself the proper personnel is the home product argument. "Why isn't this person appointed from the City of Ottawa?" The same thing comes up with central purchasing. "Why don't you buy from an Ottawa firm?" And those are practices along that line that rather fall within the scope of the personal statements that I shall make on no one's responsibility but my own.

But as Dr. Rowat points out, with that situation, with the existing tax structure and resources, it must be met from the sources of taxation that are presently open to the City of Ottawa, it must even be met with the most careful economy and examination and with special application to the fact that the development of our buildings, our throughways, everything we are building, is not only for the City of Ottawa as we may be growing up to be around 375,000 or 400,000 people, but for the enduring capital of the Dominion of Canada.

That, sir, concludes the City's submission.

THE CHAIRMAN: Are you tired? Would you like a rest or would you like to carry on?

MISS WHITTON: No, if you can last out I

can, sir.

THE CHAIRMAN: We can last out, we are sitting down. Perhaps we will take two minutes off, anyway.

--- Recess.

--- After recess.

THE CHAIRMAN: Mr. Lussier wants to know how you arrived at the title for your remarks. Perhaps he will find out as you proceed.

MISS WHITTON: Well, I think there is a text, Mr. Lussier, "Not by bread alone."

MR. LUSSIER: That is what I imagined. Is there an implication in that?

THE CHAIRMAN: I think he was afraid that this might be a sermon.

MR. LUSSIER: The effects of a sermon.

MISS WHITTON: Well, I think the title carries its own implication.

Mr. Chairman, from my point of view, and to save you more weariness, I may say that on the first page here, my own submission is that while we have been making an increasingly good job, I think, in the municipalities in the last four or five years of analysing and presenting our problems, that neither the provinces nor the municipalities have come to serious grips with the basic charge of re-examining the whole system, structure and functions of local government in the light of modern community administration, and I must say very few of the city managers, and that we have not been giving the attention to the open fundamentals in municipal government largely because we are so diffuse, and so different

in size. And I do not feel that any one of the provinces either has given in its provincial-municipal relations the intensive study to the necessity of fundamental changes in municipal government.

As I say, they have generally sought salvation in more and more assured contributions for spending with very little stress anywhere on controls on costs and on charges for services or community created values.

If I might digress just a minute to say that Dr. Grauer and I both, in more respectable existence, were in social work, and in those early days Dr. Grauer will remember one of the actual tests for mental deficiency, you would put the subject by a tank or bath tub, you would start running the water and there would be no plug, you would tell them to keep emptying it, and if you passed the idiotstest you never thought of putting the plug in.

Well, I think there is danger of such a diagnosis in respect to some of the things we have done at all levels of government in respect to the water running, and the only reservoir or source, for no matter what level it comes from, is the taxpaying Canadian, and I don't think we have looked at the plugging of the stream and at some of the fundamental changes that may be necessary in local government -- I am speaking of the field that I know best.

I say it is so much harder and really more unpopular and exacting in courage to think or to make people think, than it is to tax them. They take their taxes, the people of Ottawa, and they have to be forced into certain careful examinations of certain costs,

and it would be far more objectionable than to pay another mill, far more unpopular.

Taxes, as I say, have become, in my judgment, as an opiate ^{to the people} of Canada. They fear them; they resent them; they take them bitterly and unwillingly; they become deadened to their effect; they come to like the apparently continuing buoyancy of the mesmerizing inflationary spiral in which they spin and go on, feeding, like the pelican of legend, on the flesh they take from their own bodies, their own incomes or products, and paying more and more taxes for larger and larger "takes" in the services which they demand, and placing heavier and heavier charges on all Canadian goods and services.

Now, in my judgment -- I am speaking solely on my own responsibility, not responsibility for the Board or Council or the officials -- as you will notice I put my name here not even as the Mayor -- with our primary production and heavy capital expansion we can probably sustain the pace for some considerable, but not indefinite, period. The situation which must be faced is that a greater and greater portion of the income of the Canadian is being withdrawn for spending or redistribution by governments at different levels, without him or her ever having had the use of it.

I think that more effective controls and economies turn upon clearer understanding of the purposes to which public taxation is applied. Now, at the municipal level this is more clearly required.

I am going to give into the hands of the Commission later, send them over, for instance, our tax-

stuffer, which goes in with the tax bill, also the mayor's report at the beginning of the year. We, with great precision, show the different categories of our expenditures, and this is more clearly required and set forth than at provincial or federal levels.

Now, I am not going to give you these percentages of the revenues of all governments which I quote, because you have had them from other sources.

THE CHAIRMAN: I was going to ask how valid that comparison is of 1939 and 1955, though. The federal government have various expenditures now of types and kinds that are very different to what the conditions were before the war.

MISS WHITTON: Well, this is out of their memorandum prepared for the Dominion-Provincial Conference, and it is without the calculations for the redistribution, you know, from one source to the other, for instance, the grants back to themselves. It is in that bulletin, and you have --

THE CHAIRMAN: I am not disputing the fact, but I am questioning --

MISS WHITTON: But the relativity, correct.

THE CHAIRMAN: Yes.

MISS WHITTON: Well, that leads into another principle that I take towards the end.

THE CHAIRMAN: All right.

MISS WHITTON: The Dominion's own budget from the point of view of spending in taxation and consideration of our resources, sir, and what we are spending, that if it, instead of being in the one great budget, were

broken down -- now, the Swedish budget is broken down into three, I think it is -- if this were broken down in the same different categories as I suggest just casually here: the ordinary current expenditures, the debt payments, defence and social aid, which I think will have to be put on a pay-as-you-go -- what we are calling insurance is not insurance, and the tremendous capital amount that is passing into government investment in turn and paid out -- well, that is a whole question in itself -- then foreign aid and redistributed provincial payments.

Now, by the extent, for instance, of the tremendous aid that we give in foreign aid, the Columbo plan, and so on -- that kind of taxation is no longer available or accessible, say, at the municipal level to that same degree, and I think we are going to have to make in this country, with its tremendous need of capital, plans at all levels -- some more appropriate plans of what is going to be redistributed for capital needs to our own communities by the Dominion, federally as well as to foreign aid.

I think in the provincial budget, too, that if provincial spending were put in its ordinary current expenditures, its debt and reserve provisions, then the reserve for provincial and municipal capital projects -- take, for instance, the Queensway alone, what it is going to cost through this city, and that is only one -- social aid of the provincial ones, and then the municipal payments and aid.

That suggestion, Mr. Chairman, of such division in the provincial budget is just exactly along

the line of your question to me, that would show with greater validity the moneys available after they are redistributed, then the proportion of the tax revenue, and if the provinces in the transfer to the municipalities showed their federal in and their municipal out, it would be found to what degree some of this increased taxation, increased provincial, is redistributed for our spending in the municipalities.

THE CHAIRMAN: As an accountant, I am always pleased to find people who are in favour of clearer financial statements. Any time you are not occupied in your present position I would like to talk to you; we might get an accountant out of you.

MISS WHITTON: Well, I have my bookkeeping, sir, I have not my C.A.

With some such segregation of national and provincial spending into clearly defined major outlays, the areas of taxing, of financial need and of services of the municipalities, would also be more clearly perceived.

This would make clearer, I think, that a thoroughly objective analysis of the whole area of municipal government, in its relation to the overall structure of government and the resources and needs of the country as a whole, is long overdue. The municipalities of Canada, numbering in all over 4100, with aggregate net expenditures of close to \$1,300,000,000 in 1955 -- about 17 per cent of all governmental expenditure in Canada -- deal most directly with the actual daily living of nearly all of Canada's fifteen million people. There is there, Mr. Chairman, a rough relationship, our expenditures are 15 per cent and our revenue 14.7, so there is that rough percentage is redistributed some place. Yet, while war

and economic depression have brought about intense federal centralization in the last forty years; and re-examination of both Dominion and Provincial governmental structures and relations could not be evaded, there has been little effective exploration or practical re-organization of the mechanism of local government, provincial-municipal studies having largely turned on financial adjustments, rather than on the fundamentals of the functions and nature of that government itself.

Now, I quote from the Association of Municipal Corporations of the United Kingdom, their memorandum to the committee on the re-organization of local government in the United Kingdom:

"Whilst the local government structure has, for the most part, remained static . . . there have been dynamic changes in other ways, the total result of which has been enormous: in the distribution of population, in the services administered, some having been added, some removed and some transformed; in the means and speed of transport; in mechanical methods and equipment; and in the conception of local authorities as instruments of social policy."

I end that quote.

Any redistribution of taxing powers or of transfer of payments from other governments without such fundamental re-examination and adjustments within local government itself will only slow, not solve, the recurring

and increasingly critical problems of municipal finance which is in such considerable part tied in to unadjusted municipal governmental structures of another day.

We start to do something, if I may interpolate, and then we get an additional grant from the Province of Ontario, rather than go on doing it the same way; it is not solving, sir, just taking more of the same income, not solving some of these fundamental things.

Problems other and more than narrow municipal tax base -- here I may be preaching heresy, if we stay in the ecclesiastic field, Mr. Lussier.

MR. LUSSIER: I am not an ecclesiastic. I will have to change my collar.

MISS WHITTON: The argument that the property tax is too narrow a base on which to sustain the pyramid of community services which press upon it, and the related business tax, and that the costs of education, health and welfare services must be met from other and larger sources of general revenue, is valid in part only.

In too many municipalities, the impost of property and business taxes is neither just nor efficient, and many charges, thought of as justifiably borne by property, are now as heavy as these community service costs and are not properly a charge against all property -- for example, I submit, heavy motor transport demanding and destroying costly road beds, and motor traffic, placing heavy levies on all property for winter maintenance and snow removal, and benefitting only the users, not the general citizen body nor all areas of property.

It is policy to blame the social costs,

they are breaking the backs of municipal taxes, that have no legitimate charge against property. Well, the service of a hospital is of value to everybody within the community, and it is also of great value to a lot outside who don't have to carry it. Some of these other mounting costs that we are not looking at are bearing more unjustly on property for particular costs.

Uneven and poor assessment practices, within and between different municipalities, in a province, cause discrimination against properties, involve heavier losses in potential revenue than may be realized in new revenue from larger grants-in-aid, as well as exploiting the senior governments and other municipalities in the earning of subsidy payments at greater scales than adequate, capable, equalized assessment would justify. Ottawa is the only major city in Ontario to have re-assessed completely, according to provincial standards, and this has been one potent factor in meeting heavier costs with relatively stable tax rates.

I am going to leave the report on the state of the city, just printed, the inauguration of the mayor each year, and we have put the assessment in there, sir, from 1949, when we had a substantial re-assessment, and we were threatened with political death, suicide, and everything. The people liked it when they got it. We had a remarkably low percentage of appeals. And that re-assessment came into effect in 1954 and it raised the assessed valuation from \$247 million to \$328 million, and I don't think we had more than about three thousand appeals altogether in seventy thousand assessments, and

we have consequently a lower tax rate that we have tried to keep, however, in relationship, though, we could have shot many mills up to the old tax rate, and that question of requiring equalized assessment on the municipalities by the provinces is one of the untilled fields in the re-assessment.

There should be also a review of heavier tax on old buildings held out of use, of property that has gone up in value. Today the tax is largely on the building and not on the property, with the result that in the City of Ottawa at the present time we have 1700 or more lots fully serviced with just the water tax on them, and very little tax, being held out of use. Or somebody will buy a block after a fire sale, I guess, and raze it and hold it. The value should go on the property, the assessment there, and especially in the central parts of the city.

In this field, the exercise of political courage, the provision of skilled technical assistance, and relentless inspection from the provincial to the local authorities would greatly enlarge and equalize local revenue from the property tax; it would thus conserve provincial grants, and require more commensurate tax payments from those from whom they are due.

The business tax structure calls equally for overhauling and realistic application to assure equitable payments on the basis of actual business done, and without the discrimination that is implicit when this tax is tied to an assessment base in today's rapidly changing community and transport trends in the average urban municipality.

Again, more revenue, more equitably raised, would ensur and, again, the problem is one demanding intelligent, fearless provincial action and technical guidance for the municipalities.

The whole enormous loss of tax-exempt properties and the competitive practice and discrimination of granting fixed assessments, or tax privileges -- I may say that we have about the largest tax-exempt property in North America of any city comparable, and I take the government ones, these tax lieu payments out. We have a heavy percentage here from the old days when it was easy to find ways, in the lumber days, to get at the source of government.

THE CHAIRMAN: How do you correct that?

MISS WHITTON: Well, first of all, several municipalities -- the municipalities of Ontario -- we went to the province in the latter part of 1948-49, and we asked that we not be permitted to grant tax exemptions except by private bill of the legislature. And then on the other hand that the legislature should not pass those private bills without submission to us. The Public School Act was also amended so that there could be no exemption -- there can be no exemption except if the legislature does, from school taxes, no exemption from local improvement taxes. And since that time we have granted very little. For instance, the United Chest -- the city solicitor had to leave now, their by-law is up tomorrow. Well, the United Chest brought down their bill to the Ontario Legislature, it was too wide open. We told them that we must impose the local improvements, and that they must get the consent of three school boards if they were going

to have exemption from school tax. And also we would support a general power to us, to the city, to grant the exemptions, and we would do that by by-law, and the rent they charged and everything they collected -- they must only be a tax-exempt agency having no other income. In fact, there was one situation where a large charity built a large building on its property and rented it in competition with the businesses of this city, two or three floors for years to come. We would put that section under assessment and under education tax.

THE CHAIRMAN: How do you feel about educational and religious institutions?

MISS WHITTON: I think if we could, as I say here, not grant new ones and gradually work them off, that in the end we would come to a much sounder plan and the cost of administration today -- you will have your institutions today and you will have them put up a big auditorium which they then proceed to rent. Well, if you rent, you tax them. Say, therefore, they give a thousand people a musical or theatrical in an auditorium on which they are granted exemption, they give them that free of cost. And the pressure from the group to donate these things is very great, it must be awfully well done. It is like those places, as Mr. MacDonald will bear out, that is done to the council with pressures. They must be put in front of us educationally. I don't think it is something that can be done suddenly. I think it has to be contemplated over a period of time, what you are going to keep basically as your tax exempt, be set out in its category most completely, and what you are going to work off on tax

exemption over a period of time to work it off. And there should, as I say here, be provincial action because otherwise the municipality that is trying to do it conscientiously is going to get into difficulties.

I think the same applies to the iniquitous practice of fixed assessment. That is one of the things that Ottawa went after in the equalized assessment. We collected on millions more where there had been either fixed assessments by special legislation to the industry or they agreed to make -- what was more iniquitous, in one or two cases where the fixed assessment had been approved by the province, we had simply over the period of twenty years assessed for the same amount. And that is where some of our earned increase in government tax lieu payments came. The government would pay on this building what we thought was adequate for those times, but when you take another commercial building built at the same time, or any time, and they found the cube of that day was 32, and there we were putting 48 on that, so we increased our government tax lieu payments once we graded and got away from that.

We have granted no fixed assessments since I have been in office, and we work off one of the last ones, major ones, this year. It won't be renewed, I don't think.

The slackness, and, indeed, culpable toleration of non-payment of taxes, of tax remissions, of drifting of tax arrears (at lower interest charges than what delinquents must pay for borrowings for other enterprises); the slackness of easy redemption of property,

in tax arrears -- all these cost the municipalities of Canada millions annually in losses, borne by the conscientious taxpayer. If I might illustrate there, Mr. Chairman, the city treasurer will bring me about October a stack like that (indicating) to sign for tax sales, and by the time - six weeks or so -- that tax sale comes off the list to be posted is about that length, printed on one sheet. By the morning the sale opens it is down to ten or twelve properties, perhaps.

You will see in here that in two years we brought down our tax arrears on a vastly increased taxation take from over \$700,000 to a couple of hundred by using some of the remedies that are in the Act.

Provincial legislation gives the municipalities powers to do effective collection, to impose proper penalties, but the municipalities themselves require skilled direction -- we had to borrow and bring in technical staff to get our reorganization -- spot inspection, "policing" themselves to do an honest, effective job in this great source of loss in municipal revenue. One simple and effective line of remedial action would be for some provincial grants-in-aid to be made proportionate to effectiveness in tax collection.

If you have collected 99 per cent of your taxes you get more grants-in-aid. If you collect 80 per cent there is a cut in your grants-in-aid. It would not cost anything to do that, except the province a little courage.

Provincial leadership should also be forthcoming in re-examination, with the municipalities,

of services for which specific charges should be made either because the service is not one sought by all the taxpayers or residents of the community, or available to all, or because the developments are so definitely of benefit within only a given group or area that the imposition of cost upon the whole community is inequitable.

- (1) In the first category come a whole series of services, in the modern community where fees charged are below cost and should be revenue producing -- for example, charges for installation and annual inspection of costly illuminated signs; . . .

You go along Sparks and Bank, you will pass place upon place where the cost and the demand on our power is also another factor, but these signs per month may run \$50, \$70, \$200. Your licence fee, and your inspection fee, and it is costly, is not more than \$5. We brought in a graded one and got it into effect, there was such political objection, and that close to an election, that the council although it took a two-thirds vote, they voted it out. We had to repeal it at the end of ten or twelve weeks. Now, if the province would fix a schedule on that type of service, Mr. MacDonald and Mr. Pillar could take this, work it out for us, going to council; and council on trench excavation could have a charge. The province puts a very heavy obligation on the council for trench inspection, it would cost us nearly \$100,000. With no heavy burden on anybody, we are going to charge so much a foot to every person who applies for a permit --

for coal weighing; for installation of

oil and gasoline tanks, oil furnaces; for service cuts; trench excavations; access culverts to dwellings built for sale and especially in new subdivisions; etc.

Now, I noticed yesterday in The Gazette, Montreal is going to put a tax on television antenna licences. Now, Ottawa got that far; we had Professor Howes come up in 1951, when television was beginning and we put through a by-law and we have a revenue source there, and we have a better looking city. We have a limit on the size and the falling distance relationship. We had that done. That is what I mean by income for services.

- (2) In the second category, three typical costly areas emerge for immediate consideration -- two due to the enormous and increasing expansion of individual motor transport, with its demand for vast outlays in both capital and current costs.

These are:

(a) The provision of high speed thoroughways -- I don't think I need read all that, -- the provision of high speed thoroughways, with by-passes, with all their cost, with the cloverleafs and installations -- I don't think there is any answer to that but a toll or similar charge. And short of confiscation, municipalities cannot provide those great limited causeways about and through. It is coming everywhere, the toll service on these.

- (b) A current charge which cannot much longer be begged is one almost universally in force

in the cities of the United States, and particularly applicable in the Canadian community faced with devastating snow and ice removal or treatment costs, and that is a municipal motor vehicle licence, geared on some percentage basis to the provincial licence tax, and probably collected on a pro rata payment by the local provincial bureaux for the respective municipalities.

Such a tax presents problems in imposition and collection, but these are not insoluble, the tax being payable and collected where the basic licence was itself payable. Even a small tax would be politically unpopular; but, in practice, one yielding substantial revenue would not equal more than a very small part of upkeep, insurance and depreciation of his car to the motorist.

Now, if I might point out just there, last year in Ottawa it cost us for snow removal and treatment, \$933,000, in a period from, say, November through in your year, and that would have built four ten-room public schools, that is, in snow removal and control. Yet if we want to build one ten-room school we must put up money, go to the province and have a debenture and have it put through the Municipal Board. But here for current expense on this sort of thing because it just goes through in our taxes and in our levy and we meet it as it comes, the tremendous impact of that as against the debt is not brought out. If it were brought out I am

positive it would not be so politically dangerous to impose the tax.

Product of the nationalized financing of housing and the sprawling fringe areas of the urban community, there arises the complicated challenge of the proper division of charges to the subdivider on the one hand and to the general taxpayer on the other, of the enormously increased municipal debenture debt required to finance water, sewer, roads, pavements, sidewalks, hydro, street lighting, fire protection, and school services in the extensive fringe developments marking even the towns today. The increase in assessment does not equalize, for a span of years, the additional community costs incurred while these costs rest heavily upon the older established sections of a community, in which the property has long ago carried and discharged its due liability for comparable services.

Here, again, the provincial authority should exercise the power it possesses, to bring in minimum prepayment provisions, generally applicable throughout its jurisdiction, in order to safeguard all communities equitably and not expose the responsible community to the unfair competition of the less conscientious authority, seeking quick speculative profit.

I speak with some feeling with respect to Ottawa. There is at the present time in the periphery one of our most prominent subdividers moving over now to build two or three homes because in Ottawa, nearer to where our services can be extended, they would have to meet these prepayment costs on only three of the services.

The provinces should bring in minimum standards, which would not cost them anything.

Millions of dollars in current costs and debenture debt saving would thus accrue -- and is accruing -- in large amounts to many municipalities -- with not a dollar in extra public payments but rather by just charges upon private enterprise which can still reap quite satisfactory profits on such undertakings.

Then, to this I attach very great importance, Mr. Chairman, the debenture terms for capital borrowing for major permanent works could be more realistically adjusted by the provinces to longer terms with equal or better interest rates.

Water mains and sewers of a structure proven to serve for thirty to forty years -- some of ours, Mr. MacDonald, after seventy and eighty years -- and even longer periods, might well be carried by debentures of a comparable term, instead of the ten, or fifteen, or twenty year terms now the permissible maximum.

We are lifting, we are repaving old streets and we are providing money for putting the water mains in them, and some of them down, Mr. MacDonald says, eighty-four years, and yet not requiring replacement except where we are re-doing a great heavy job, like the Queensway, and something like that. Yet those were paid for in ten or fifteen year debentures.

As I say here, the public utilities, look at our street railway, Ottawa retiring that street railway and also depreciation on it, in twenty years, and the hydro payments we are paying, one of these stations that

we say will serve long into the foreseeable future, we are paving miles of roads in twenty years, the hospitals, certain of the vocational schools -- that more realistic underwriting of borrowing in relation to the actual life use of the project would be more equitable to the taxpayers of today, and I submit my arguments in support of that, and that would release current tax potential for more appropriate current needs.

The respective provinces could also fix a minimum and a maximum levy in mill rates, geared to scales of assessment, as to a municipality's provisions for specific services such as recreation, library service, police, and fire protection, health services, snow and ice removal, etc., the latter varying with weather conditions within respective areas of a province.

Where the maximum levy appeared inadequate to provide the service, technical consultants should be available from the province for inquiry, report and even adjusted subsidies, proportionate to a bona fide need and proven incapacity to meet minimum standards within the maximum levy.

It is something like the principle that the Dominion is discussing with the provinces at the moment of equalizing for essential services, but we are under such pressure from different groups, there should be a levy set, and that for cities of a certain size and assessment, equalized assessment, that should be your levy for hospital structure, for library, for recreation, for swimming pools and the like.

In fixing such maximum permissible levies,

both the Dominion and the provinces might well review many of their own unrealistic minimum standards in many fields in which the requisites, exacted from a local authority to earn grants-in-aid, can become most costly to the municipalities. Now, the excellently conceived system of national health grants has so reacted in the increased and increasing costs of providing hospital beds and many other health facilities.

And I set forth there that the local municipality is now incurring a heavier cost in capital and current outlays, as the municipal share alone, than prior to the Dominion and provincial grants which assumed an initially generous portion of a much lower cost. More flexibility and discretion for the local authority, and more realistic recognition of minimum local standards and provisions would conserve local resources, make outside funds go further and generally provide practical minimum provisions, which could expand, if and as need and spending justified.

Then, both the Dominion and the provinces, I think, owe it to the municipalities to maintain better correlation between the responsible elective governments and their administrative officials. A province will set up a standard of minimum service, gear its provincial aid thereto on fixed minimum schedules and then not only allow, but encourage, free rein to field staff, and indeed senior executive officials, to whet local demand to higher and higher hypothetical "standards" of spending (usually on an overall, province-wide scale, with little regard to different conditions in different areas), urging so much per capita as being "the desirable minimum" on a

score or more of services, running the whole gamut from recreation, library, health, welfare and other community provisions to an increasingly diversified subdivision of these respective fields.

For instance, you will get the provinces saying that every municipality must pay \$6 a day per capita for any indigent in the hospital -- just give an arbitrary order to raise that from \$4 to \$6 and yet the province itself will give a formula that may work out at about \$2.38 or \$2.73. And then you have your provincial inspection and hospital branch come along and lay down a standard that will require perhaps to provide for \$11 a day for your cost. There should be correlation there.

Then there is another area of highly specialized resources, and here if I may summarize, the provinces should honestly prescribe its standards and spending scales, and establish a municipality's capacity to meet them, and subsidize where that need can not be met, instead of subsidizing field staff to stimulate and often, through pressure groups, intimidate, the municipal government to services beyond its capacity to provide.

The critical undersupply of fully qualified personnel in all areas of specialized demands, and particularly at the executive and consultant level -- you cannot get them. Now, here the township reeve spoke to me yesterday. The township with eight to nine thousand people would like to get a fairly fine engineer to work with us here, but they cannot compete in money. We cannot compete with the Dominion and

provincial demands. And I suggest here, throughout this section, more intensive examination and integration on area bases of the setting up of the costly consultant, laboratory and like services, or a sharing of such things as your bulk tender and contract buying between the province and its municipalities.

Also I take the liberty of saying here in the third paragraph on page 16: A more forthright, realistic, and less frustrating legalistic approach to the practice of strangely coincidental identical prices on essential municipal supplies -- you cannot show fixed prices unless you can prove agreement, but the telepathy is perfect -- that would make less of a travesty and more of an effective cost-reducing weapon of existing combines and monopolies legislation.

An obvious cost of millions of dollars annually in the country as a whole is the construction of thousands of classrooms and hospital facilities, etc., on individual architectural contracts when, in the expanding urban areas particularly -- and if you want to get out of those, get the tariff fixed on those, then all right, you could spend that extra money, but that especially would help the communities on all them, and similar integration of effort in the provision of huge and costly capital undertakings such as water installations, sewage plants, major hospitals, vocational and technical educational services, mass transport facilities, etc., which, for less total expenditure, could be provided either by centralization or designating a municipality like Ottawa in the area as the focal municipality, and having an arrangement whereby

we would provide these services and sell them at an agreed cost.

Then, this next item is the one to which I attach greatest importance of all except the longer debenture period, that the payment of personnel is, of course, the greatest single item in any municipality's current budget -- in Ottawa it exceeds 55 per cent of the tax levy. I quote the Prime Minister here in the House of Commons in 1951, and the practice is unchanged, that:

"From the very nature of employment in the public service there can be no bargaining agent for the nation comparable with the employer in industry who has at his disposal funds derived from payments for goods or services. The funds from which salaries are paid in the public service have to be voted by Parliament and Parliament alone can discharge that responsibility."

Therefore, while the Dominion and the provinces both discuss and negotiate with their civil service, the final settlement of exactly how much is to be taken in taxation for payment of that personnel rests finally where, it is submitted, in my judgment, it can and should rest in a democracy -- with government itself. Therefore, these governments can expect a reasonable stability over a reasonable period of time in such expenditures and so in their taxes.

For instance, the Prime Minister has announced that there will be an increase in the remuneration of the federal civil service, and it will take

effect in about six weeks. They have had their hearing and their negotiation and discussions, but the amount of that will be gone into having regard to the position and the country's capacity to pay, and it will be fixed and voted within that capacity.

Now, there is no such thing for the municipalities in most of the provinces. We are forced to face what is practically compulsory arbitration with our fire and police forces, and almost the same procedures re their general employees, regardless of what they may seek to set as reasonable maximum salary and wage schedules. The arbitration then provided, in most of the provinces, is set up under provincially selected chairmen; varies with each municipality, and contributes to a constant competitive race between the employees of one municipality with another. The awards rarely take cognizance of the financial status of the municipality and invariably increase the liability beyond the maxima offered by the municipality itself before negotiations terminated.

There is no one single factor so contributing to the instability and insolvency of the Canadian municipality, and its public utilities today, as this denial to local government of control of remuneration to its employees on the same definitive basis as the senior governments retain to themselves, and, in this situation, the denial of an alternative that would in some degree protect them. That alternative is to provide for compulsory conciliation, rather than arbitration, and, when it fails, to recognize the right to strike or to resort to arbitration.

For arbitration there should be set up within each province, preferably within its Department of Municipal Affairs, one centralized arbitration tribunal, to which any municipality and its employees might refer the problem of wage and salary adjustments for award, having regard to the municipality's ability to pay, as well as the pay-scale requested, since the financial status of each local authority would be fully available to such a provincial arbitration panel.

Awards from such an authority should be made for the term of office of the municipal government concerned, to permit some stabilizing of expenditure and tax rate -- one year where the term of office was one year; two years, at least, for the Council elected on a two or a three year rotating panel.

Then, of course, this final big area, the schools, in which, pre-eminently, much more fundamental action is required, than simply increased grants from senior governments for increased spending. Here the whole mechanism of public education has no more been geared to the changed demands of an urbanized industrial era than has municipal government itself.

The concept of independently elected educational authorities -- or, what is less responsible, appointed authorities -- being given practically untrammelled powers to incur current expenditure -- and in increasing degree capital outlays -- the taxing responsibility for which rests upon the municipal authority is outgrown in a day in which the provision for education at the public cost to the fullest possible measure,

consistent with solvency, is accepted by the overwhelming portion of the voting public.

Moreover, the provisions and procedures which require a municipal authority to conduct its business in public, to have the public constantly aware of whether it follows the tender system, to have its tenders opened in public, to have its awards, its estimates, its revenue and its expenditure, in fullest detail, matters of publicly conducted business, available in public documents accessible to the general public, should be statutory requirements also upon the educational authorities. And they are among our greatest spending bodies.

The restrictions upon the municipal authorities in seeking reference to the taxpayers of heavy capital expenditures, approval for which rests with the municipal authority, should be made at least equitable with the privileges held by the local educational authorities.

At present, if a municipal authority refuses to approve school outlays, which in the light of its own financial situation it deems to be unjustifiable, or unjustifiably high, capital expenditure, the educational authorities may require a vote of the rate-payers, but the municipal authority may not do so.

There is the admitted danger of a municipality, upon such a vote, rejecting essential educational facilities. This could be overcome by a province, prescribing either minimum standards for communities of different types, or, as is done in some provinces, setting a maximum, to which its own capital and current grants will be geared, and leaving the power to require

a vote solely to the educational authorities only where a municipal government refuses to provide this minimum, but allowing a vote of the people on the demand of the educational authority or the decision of the municipal government for any facility or outlay above these provincially prescribed minima.

If I could illustrate by a situation here. We will say we are going to have to provide five or six collegiates within the next twenty-four to thirty-six months. The province has placed a limit of \$20,000 on a classroom and only for instructional space. They will give no grant of any kind to gymnasiums, cafeterias and auditoriums, or any to science laboratories, and the like, for ordinary classrooms, and the City of Ottawa is being asked to build collegiates, say, of 27 rooms, that will be \$1,186,000; the maximum that the province approves is \$540,000 on that, they pay 15 per cent capital, 15 current. Now, the province will then approve these other plans, however, for \$1,200,000, and if the municipality denies any facilities there to give one gymnasium, cafeteria or auditorium, what they feel they can take, say, seven or eight hundred thousand dollars for that, we cannot then ask for a vote of the people on it, but if we refuse any amount the educational authorities can, but they will not force a municipality into a vote of the people for this higher level, that is one of the places where there can be control, I think.

Realism requires radical reform in this whole area of education. The provinces are the pivotal authority, and their powers should be exercised to assure equalized municipal assessments, minimum standards geared to a prescribed educational levy, provincial subsidy

where local assessment does not yield that levy, and a required vote of the ratepayers for local expenditure sought above the provincially recognized and subsidized standards of current or capital expenditure.

Further, either the budgets of the local educational authorities should be open to the same examination, review, conference, and, if need be, adjustments, as library or municipal hospital budgets; or the school authorities should be required, within a provincially prescribed maximum levy, to assume full responsibility for striking their own tax rates, and be held strictly accountable to the electorate for them, the municipal authority not incorporating these rates in the overall general levy but simply collecting on a distinctly separate levy, and transferring the proceeds to the school authority.

Now, Mr. Chairman, I come to the answer you asked me for in respect to the grants. In the first place, I will give it in Governor Dewey's words in his message to the Legislature of New York, in November, 1947:

"It is a fundamental truth that, where a unit of government spends tax moneys which it does not raise, irresponsibility and waste are inevitable. The strength of a free republic is to be found in the alertness of its citizenry and in their ability to watch and control the affairs of their government. Every power that can be left at home close to the people should remain there where they can watch it and supervise it."

And, I would like to add, with assurance of the taxing

powers and resources for such watch and ward?

If I might submit, rights and responsibilities cannot be effectively exercised by a "kept" government, any more than by a "kept" woman, with dependence upon continuing favour and subordination of thought, planning and action to the dominating will of the source of maintenance. You see, I am still in the tradition of social work.

In conclusion, these are but a few suggestions of many worth careful exploration as fundamental in reducing and conserving the heavy tax imposts of the Canadian people, and, at the same time, preserving the autonomy, integrity and effectiveness of the respective units of government in this country. These, it is argued, in my judgment, each in its field, are, on the whole, still as well qualified as in the concept of our Confederation to discharge most effectively the functions of government traditionally assigned to them.

That is only on my own responsibility, sir.

THE CHAIRMAN: Thank you very much. It is a most interesting submission. Miss Whitton, many of the proposals you have made throughout this submission involve action by the provincial government. Now, I have no doubt that you have had occasion to discuss such questions with the provincial government from time to time. What reaction do you get?

MISS WHITTON: Well, in some of these suggestions, and different ones that we have made from this city, have been taken; at the moment, in respect to Ontario, the trouble is the first conference with the Attorney

General about this arbitration, and then he goes out or he goes to the Bench, if he is in a province that is on good speaking terms with the Dominion, he may go to the Liquor Commission within his own province, or something, you get your difficulty and you have got to keep on persisting --

THE CHAIRMAN: In your province the last Attorney General, you had better be more precise in your terminology, at least he was --

MISS WHITTON: He was transferred.

THE CHAIRMAN: He was transferred to a position where he can still do something as Provincial Treasurer.

MISS WHITTON: Well, he has increased one of the flat rates on the educational grant. Now, he is at the present time trying to require the schools boards to declare the anticipated requirements to return their levy instead of increasing, for instance, the cost which came after the bids were taken. But in making this submission it seems to me in the broad scope and terms of the Commission, that it was within your power to recommend to the Dominion suggestions back for the conservation of funds to the provinces. But, for instance, in respect to that arbitration procedure, the Canadian Federation of Mayors and Municipalities have made that recommendation out of their annual meeting last year to all the provinces and in the Province of Saskatchewan the provincial authorities are very seriously considering it.

Perhaps we are going to be driven into some such thing because what we have got is that your organized employees have tremendous research facilities at their disposition within their respective unions, and yet a city,

unless it is a very large one, cannot maintain that type of service and yet you are put up against an arbitration board where one official has that, a representative on that has that tremendous resource at his disposition and your chairman has not and your municipality tries to get it. We have appointed a statistician economist made necessary solely by this. But we can submit all of that, but let Windsor or Hamilton be forced into a higher rate and it is right off, we are up above Hamilton or they are above us and London is above that, and there should be some type of uniformity and conformity, but until municipal authorities can bring in that --

THE CHAIRMAN: Industry also is organized.

MISS WHITTON: Yes, but with the final authority with the taxing authority. What has happened in this biggest element of ours, we have been satisfied, I think, but the rate of payment of our municipal employees has been fixed by a board not one of whom was a resident of Ottawa or area, and they have done a fair job on their arbitration, but we have no source just like the province and Dominion except taxes, and I think the final cost should rest with the municipalities or alternatively with a board of the province, to which we would pay the same fee but it would go through its resources what that municipality could pay.

THE CHAIRMAN: I think you have given us a most interesting afternoon.

MISS WHITTON: I am afraid I have taken an awful lot of time.

THE CHAIRMAN: We are very grateful to you.

You have included a number of new ideas as well as amplification of some others we have heard something about. We are very grateful to you indeed. Thank you.

MISS WHITTON: Thank you, Mr. Chairman.

THE CHAIRMAN: We will meet tomorrow at ten o'clock.

(At 5.00 p.m. the Commission adjourned until 10.00 a.m., March 1st, 1955.)

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ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

OTTAWA, ONTARIO

MARCH 1, 1956

VOLUME 40

Ottawa, Ontario,
March 1st, 1956.

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of industry
The Shoe Manufacturers' Association of Canada

W. J. LeClair, President,
R. M. Willes Chitty, Q.C., Honorary President
The Canadian Federation of Property Owners'
Association

Dr. J. C. Griffin, General Director
Prof. William Line, Director of Research,
Department of Psychology, University
of Toronto
Canadian Mental Health Association

Gordon Wood, First Vice-President of the
Association and Executive Trans-Canada
Air Lines

Mrs. Florence Montgomery, Managing Director,
Restaurant Association

Dalton J. Caswell, Executive Chairman,
Hotel Association of Canada

Vernon Lang, Secretary-Treasurer
Canadian Tourist Association

Robert F. Legget, Chairman
Horace Ferguson, Architect, Building Code
Section, Division of Building Research,
N.R.C.

S. C. Frost, Engineer, Building Code Section,
Division of Building Research, N.R.C.
National Research Council
Associate Committee on National Building Code

--- The proceedings commenced with the showing of a colour film on the Canadian Electronics Industry.

THE CHAIRMAN: That was a very good way to start the proceedings, Mr. Pollock. We will mark your written submission as Exhibit 227, and we will leave it up to the reporter to deal with the last one. And I think if you are ready we might as well start in.

MR. POLLOCK: Mr. Chairman and members of the Commission: with your permission may we remain seated?

THE CHAIRMAN: Oh, yes.

MR. POLLOCK: Thank you, sir. The Chinese proverb that said a picture is worth a thousand words is rather meaningful to us, as you can see in the film.

THE CHAIRMAN: We have had a good many thousand words.

MR. POLLOCK: The film, of course, does a good job of supporting the brief which we are presenting to you. I would like now to read a statement which I prepared in summary of our brief.

The members of the Radio-Electronics-Television Manufacturers Association wish to open the summarized statement of their brief by commending the Government for its most timely and far-sighted decision to have a Royal Commission study the economic prospects of this great country of ours. The industry represented by R.E.T.M.A. feels that it has much to contribute to the future prospects of Canadians and welcomes the opportunity to express its ideas. These thoughts have been stated in the Association's brief, and have, we trust, brought to the members of the Commission a greater awareness that through

the Electronics industry something vitally new and of very broad potential is being added to the Canadian economy. The R.E.T.M.A. film shown will illustrate the industry's present status as well as some of its future potential.

Gentlemen, I believe you have a printed copy as well as a typed copy of our brief.

THE CHAIRMAN: Yes,

MR. POLLOCK: They have exactly the same data, so you could use either one.

The latter half of the 20th century will surely be characterized as the era of recorded history in which the greatest strides toward the good life took place on the broadest front. So many of man's social and economic activities are in the process of rapid expansion and improvement -- communications, fixed and mobile power, functional living and working environments, productive efficiency, education and entertainment to mention only a few.

The significant fact which emerges from an examination of many unrelated areas of human activity, is that most of the advances taking place today are being significantly furthered by what is being done in the electronics industry. In our opinion, in the years to come, no other industrial effort will be so broadly and pointedly influential. It is for this reason that we have entitled our brief, "Electronics -- a New Way of Life for Canada." The trend of things to come is indicated by some of the known research work presently in progress. The brief mentions applied research projects, such as new uses for transistors and printed circuits, electronic refrigeration and air conditioning, electronic washing machines, electronic

photography, amplification of light, closed circuit television, scatter propagation communications and automation. The products of these research studies in electronics may give rise to industries like the manufacture of radios and radio-phonographs, which provided the first large scale use of electronic devices. The radio business has gone through a cycle of public utilization almost to the point of saturation and continual replacement. Yet the products in this field are today receiving stimulation from basic and applied research. Two new paths of development are seen: first, small and truly portable radio transmitters and receivers for communication and news services, and second, the high fidelity reproduction and radio transmission and reception of music and sound effects for cultural, entertainment and educational purposes. Television, another current use of electronics, will have produced more than $3\frac{1}{2}$ million black and white receivers in ten years, that is, by December, 1958. By then, colour television sets for the home will be in fair production and closed circuit television will be finding a place in industrial and other services.

To be specific concerning the future prospects of a young industry which is providing products and services in increasing numbers to aid man's personal and industrial needs is impossible. In this dilemma we have done the next best thing by making some recommendations to the Commission which, in our opinion, will improve the environment in which this industry operates and will allow it to contribute more fully to the future well-being of Canadians.

Recommendation 1 - and, gentlemen, I am treating these in accordance with the recommendations that are in our brief.

The very rapid development of man's way of life in the last fifty years has been the result of his curiosity. The time, effort and money which has been expended on research, engineering and design in the top industrial nations since the last war has more than equalled the efforts of centuries. By contrast, Canadians will regretfully admit that we have done altogether too little in these fields and by this standard cannot rate with the world's top industrial nations. For half a century, it has been too easy for Canadians to buy or borrow the results of creative work done in other countries. The people of no other country have been in quite such a fortunate and yet extremely unfortunate position. We have been enjoying the lap of luxury with little right to such privileges because we have created too few of them. The important part of this situation is that, as industrialists (particularly in the secondary industries), we have an undeveloped appreciation of the part which creativeness plays in firming the foundations of an industry, of an economy and of the growth of a cultured society. We have done well, extremely well, in the manufacture of products and quite well in their distribution across this vast, underpopulated land. However, in basic and applied research, in engineering and in design, we are far below top level and have a great deal to do to equip ourselves in these fields in a manner commensurate with the economic prospects before us.

Industry on its own could not induce such a

rapid advance while carrying present tax burdens and facing strenuous competition. In our members' estimation, an external stimulation of a high order is required, and, in the long-term interests of Canadian industry, warranted. As research, engineering and design will likely be of greater importance to the future of the members of this Association than to most other industries, the following recommendations are made:

- a. That extra deductions from taxable income be allowed all companies, the deductions to be based on the extent to which the company engages in clearly specified creative activities (to include engineering, design and basic and applied research in approved fields).

THE CHAIRMAN: Do you mean that there should be no restrictions on the amount spent on research, or do you mean there should be a lower rate of income tax for people who indulge in these practices, or what?

MR. POLLOCK: That we should be allowed additional exemption before taxes in some manner or other for the development of research facilities. Research facilities, that has been in the educational field, the amount of facility necessary to have students go to universities is tremendously high.

THE CHAIRMAN: I don't follow exactly, precisely, what your point is. There is a limit as to the amount of expenditure on research which may be deducted from taxable income, in arriving at taxable income. Is that the point, that there should be no limit?

MR. POLLOCK: There should be no limit, and

there should be in addition an allowance made for the development of the research facilities. When we think of --

THE CHAIRMAN: What kind of an allowance?

MR. POLLOCK: Let me put it this way: the government sees fit to give small industry a 20 per cent tax up to \$20,000. In other words, small industries' growth is being stimulated in that way. We feel that research should be stimulated in some way by way of an extra tax deduction -- an extra tax deduction made before taxes.

THE CHAIRMAN: If you get 100 per cent reduction now, you mean that your tax should be reduced, do you? I mean, I have heard this before and I have not heard anybody who has thought it out, and I wondered whether you had a clear idea of what you wanted.

MR. POLLOCK: I might say this, something of this sort: if we have research people in industry we might be allowed an extra \$5,000 deduction per research man or an extra \$3,000, let us say, for an engineer, or an extra \$1500 or \$2,000 for a technician, in order to stimulate the development of research. As we say in our brief, it requires a high order of stimulation.

THE CHAIRMAN: Then, if your taxable income was \$1 million before deducting anything for research, and your expenditures on research were \$100,000, in the normal course that would bring you down to \$900,000?

MR. POLLOCK: Yes, sir.

THE CHAIRMAN: Then you would say that should be reduced by another \$100,000, for the sake of argument?

MR. POLLOCK: Depending on the amount of research work that that particular business is doing.

THE CHAIRMAN: So you would be taxed on \$800,000?

MR. POLLOCK: That is the order of things, we think, yes.

THE CHAIRMAN: It is a concept that to my knowledge is not applied anywhere else -- anywhere else in Canada. It may be applied somewhere else in other countries. I am not saying that it is wrong because it is not being tried; don't misunderstand me.

MR. POLLOCK: No.

THE CHAIRMAN: But I wanted to be clear on what you were suggesting.

MR. POLLOCK: Well, your example is exactly the thing we have in mind, that extra deduction before taxes should be in proportion to the amount that is being done in research and engineering design fields.

THE CHAIRMAN: Of course it would have to apply to all industries, I suppose?

MR. POLLOCK: Yes, sir.

THE CHAIRMAN: And presumably industries are reasonably ingenious. There would be a fair amount of industries that could come under the heading of research in that event. I am pushing this because this is a proposal -- and I suspect that Mr. Brophy would know more about this than I would because after all he is only recently an ex-bureaucrat -- and sometimes proposals don't get very far unless they have been thought through in some considerable detail. Now, my guess is that on this thing we should suggest the principle that something should be done to stimulate research and perhaps not be

mailed down to a specific suggestion.

MR. POLLOCK: Something which you consider to be almost something that fits in with the statement which you made, and people should not be asking for this and that and the other thing by way of expenditures to be made on their industries or expenditures to be made here and there. Our proposal was, we feel that might be a means of reduction in taxation at the present time --

THE CHAIRMAN: The trouble is it would mean a reduction on industries, not only some of the industries you mention, but it would have to be applied across the board. It would probably be pretty substantial.

MR. POLLOCK: In a relatively few years the conditions would come back due to the stimulation of research, that is our premise because at the present time we are having a lot of people leave this country to do research work in other countries. They are not contributing to the development.

THE CHAIRMAN: I am not deploring the need for research. I am just questioning this particular way of giving assistance.

MR. POLLOCK: Our thought ties in with the example you gave a moment ago.

THE CHAIRMAN: I gave the example but I am not sold on it, I don't think.

MR. POLLOCK: May I proceed, sir?

THE CHAIRMAN: Yes, sir.

MR. POLLOCK: That was item (a) of this first recommendation.

b. That a double deduction before the application

of taxes be allowed for all grants made by companies or private persons to research foundations and to universities for scientific facilities. The same treatment should be accorded the establishment of scholarships at educational institutions.

The stimulus which would result from the adoption of these suggestions would, in this Association's opinion, be beneficially felt by the economy from coast to coast. A very important by-product would be that university graduates who are interested in research would find satisfying creative employment in Canada. Within fifteen years, this country would change from being an exporter of creative people to an important exporter of creative ideas.

Recommendations 2, 3 and 5

Free enterprise thrives on opportunity and challenge. Present practices in government purchasing of electronic equipment for defense and for civilian use follows the path of obtaining much of the required creative work from outside Canada's borders. The placing of contracts for development work with Canadian manufacturers and insisting upon a high level of "made-in-Canada" content, would mean more research and engineering work, a greater Canadian self-sufficiency, and a more useful contribution by our country to the defense of the free world.

Recommendation 4 -- This is out of order.

The enigma of the chicken and the egg applies to many problems of business life. In Canada, we have an example of great urgency in the shortage of scientifically and technically trained people. Because

research results, engineering and designing were so readily acquired from our cousins overseas and across the border, industry needed technicians more than scientists and engineers. Research minded people either found other work in Canadian business or emigrated to lands where creative enthusiasms and talents were appreciated. By this dual emigration, sufficient leaders of things scientific in and out of industry have not been available to give Canada a place in the research, engineering or designing lime-light. All branches of scientific training must be augmented sharply to do no more than keep pace with the barest needs. To bring Canada's manpower, capable of creative work, in line with other leading industrial nations, calls for at least fifteen years of continuous joint planning and action by industry, educational leaders and provincial and federal governments.

Recommendation 6

Statistics have been called the "arithmetic of human welfare" -- certainly they are the basis of the welfare of industry. The members of the R.E.T.M.A. are well served in the radio and television fields, but all other electronic production data is so inter-mixed with other products that market analyses are impossible.

Recommendation 7

The R.E.T.M.A. concurs with the objectives of the tariff policies of the Canadian Manufacturers Association. Because of the highly technical nature of the electronics industry and the speed with which it is growing and changing, this Association recommends that the services of an electronic engineer be employed by

the customs department and that the tariff classifications be constantly under review so as to keep pace with this developing industry.

Recommendation 8

Any venture requires leadership and a course freed of obstacles so that it may develop efficiently. In this recommendation, the brief treats with three negative influences placed in the path of the industry's consumer product business by the government. Each influence is presently a deterrent. If these effects are removed, the long-term prospects and health of the industry will be greatly improved.

- a. Canadian radio and television broadcasting is very largely controlled by policies established by and for the Canadian Broadcasting Corporation. Because of this influence, that body also plays a most important part in what happens in the radio and television industry supplying the transmitting and receiving equipment. This means that private enterprise is unable to take leadership action in adopting new broadcasting practices. Therefore, this Association urges that the C.B.C. be charged with the responsibility of energetic leadership in the broadcasting business and that it be in no way handicapped by government restrictions in its efforts to keep pace with what is being done by our American neighbours. At this

stage in the development of television, the Association is particularly concerned with the promotion of colour telecasting in Canada. The C.B.C. is urged to immediate activity in this new field. A start can be made by carrying U.S.A. colour programmes in colour on the Canadian network. While no French language colour programmes would be available from this extra-national source, the earlier colour is on the air in Canada, the sooner will Canadian stations find the means to be competitive with programing and broadcasting from across our southern border.

- b. The field of influence of radio and television in Canadian society and its economy is very broad. A 15 per cent excise tax is levied on all radio, radio-phonograph combination and television sets and the money is used to financially assist the C.B.C. Such specific taxation for such a general purpose is most discriminatory and not in the interests of the radio and television industry. The financing of services designed to be used universally should come from general revenue. Also, the competition for the consumer's dollar will soon be so keen that the 15 per cent tax could be a major deterrent to sales.
- c. Business practices evolve over a period of years through experience and competition

and will reach quite good levels of efficiency by the interplay of natural marketing forces. One manner of doing business will be suitable for one industry whereas the same practices might be quite impractical in another field. For these reasons, it was in this Association's opinion most unfair on the part of the government to have arbitrarily branded as criminals all those who found, after many years of operation, that resale price maintenance was a suitable practice in their business and that it affords a means of limiting the acknowledged harms of loss leader selling. It is this Association's recommendation that resale price maintenance legislation be the subject of an intensive and extensive research project and that it be considered a matter of the civil law and not part of the Criminal Code practice.

It has been said that Canada is a country for which the future is more significant than the past. In the light of what the members of the Radio-Electronics-Television Manufacturers Association of Canada are sure that they can contribute on a broad scale to the public, industry, government and the armed services, this statement is presently true. We are sure, also, that the study of the Association's recommendations by the Commissioners and their recommendation of prompt action on the ideas put forward, will bring an earlier and greater realization of the wonderful prospects before most

Canadians.

On behalf of the members of the Radio-Electronics-Television Manufacturers Association, we express appreciation and thanks for being afforded the opportunity to present a brief stating our views as to how Canada's economic prospects may be influenced by what our industry does in the coming twenty-five years.

We wish the Commission success in carrying out its important assignment and feel certain that Canada and Canadians will benefit greatly from its recommendations.

Sir, we submit our brief to you most respectfully.

THE CHAIRMAN: Thank you very much, Mr. Pollock. What do you think would be the best procedure -- to ask Mr. Brophy to give us his statement first and then ask questions?

MR. POLLOCK: I think so. The questions would be on a broad basis. I think we might do so.

THE CHAIRMAN: Mr. Brophy, we are grateful to you for appearing before us. We will mark your submission Exhibit 228.

MR. BROPHY: Mr. Chairman and gentlemen: when Mr. Gordon invited me to appear I was delighted to accept, but many months have passed since that time.

I would like to review a few notes I have set down here. In view of the far-reaching effects of the inquiry being undertaken by your Commission it is with a real sense of responsibility that I appear before you.

As you know, I acted as chairman of the committee charged with the responsibility of preparing

the brief submitted to you this morning on behalf of the Canadian electronics industry -- an industry with which I have been directly associated for more than thirty years. Having been actively concerned with the preparation of the electronics industry brief, it seems to me that no good purpose would be served by a general review of the material which has been included in that statement. There are, however, one or two matters which I would like to discuss briefly, after which I shall be very glad, of course, to try to answer any questions you might like to put to me.

In general, what I have to say relates to research and its end result, industrial development. In particular I will deal with two aspects of the subject, namely the desirability of greater co-operation between government and industry in the matter of research and the idea of sharing research with other countries or, shall we say, the exchange of research, which, in reality, is a form of trade.

Research and development, as we all know, requires substantial investment. Without the protection afforded by a patent system industrial concerns probably would be hesitant to appropriate the large sum of money required for the development of new processes, techniques and products. Patents, in a sense, are the currency of industrial research and development and, consequently, it may be said that the number of patent applications filed by Canadian inventors may provide some indication of the extent to which domestic industrial firms are engaged in research and development. If so, I am sure you will feel

the impact, as I did, of the information taken from the report of the Commissioner of Patents for the fiscal year ended March 31st, 1954, and set forth in the Appendix attached to this submission.

It will be seen that the total number of patent applications filed in Canada during the years 1950 to 1954 increased about 42 per cent, while during the same period the number of patent applications filed by Canadian inventors decreased by about 18 per cent. Furthermore, during the same period applications by Canadian inventors, as a percentage of the total, decreased from 10.7 per cent to 6.3 per cent. Also, it will be noted that, during the period when applications originating with Canadian inventors were decreasing, applications from the United Kingdom, United States, and Western Europe inventors were increasing.

The foregoing would certainly appear to substantiate the belief that research and development in this country is lagging.

I realize that the need for more basic and applied research in Canada has received a lot of attention at your hearings and, in this respect, I strongly endorse the recommendations made by the Radio-Electronics-Television Manufacturers Association. It does seem that the current economic atmosphere is favourable, and all forecasts concerning the future industrial development of this country would seem to indicate that greater financial support could be provided by both government and industry.

Obviously, the electronics industry must be in a satisfactory financial position to enable it to make the investment in research facilities from whence

the products of tomorrow will flow. This is a problem which the industry itself must solve and there are encouraging signs that this industry is finding it possible to do more and more development and basic research in Canada.

However, government can also assist by means of tax concessions as suggested by the R.E.T.M.A., and this would further stimulate research and development work in this country. Such concessions, incidentally, should not be considered as a subsidy, but rather as an investment for the future. As a result of Canadian industrial development through research a much larger tax base would be established.

Another approach which could very well be considered, and which would assist Canadian research, would be for Canadian subsidiaries of foreign companies to receive a share of large research programmes which are being undertaken outside of Canada. I know that some work is being done at the present time in this respect but I venture to say that more could be accomplished. As an example, the Philips' Concern of Eindhoven, Holland, with which I have been associated for a considerable time, has placed with its Canadian affiliate a project for the development of colour television as a part of its world-wide programme. In effect, the Canadian organization is paying in kind for the know-how it must import in other technological areas.

Another area which I think could be explored is the question of industry being properly briefed by the defense authorities on the matter of trends in defense thinking. I believe that many more companies

would consider investing in research, and development of equipment having defence applications, if they were kept more closely in touch with defence planning. Since industry, generally speaking, is remote from defence planning, the defence authorities may be missing an opportunity to make use of the great reservoir of knowledge and experience which exists in Canadian industry today.

I am not suggesting that there has never been or that there is no co-operation in this respect between government and industry. If we go back to the year 1937 we find that Canadian defence authorities realized that there existed in Canada facilities capable of developing military electronic equipment. As an example, there was a requirement for electronic equipment for fighter aircraft. For the first time, Canadian industry was given an opportunity to develop and manufacture the equipment. This was indeed fortunate, because when war broke out our supply of such equipment from the United Kingdom was sharply reduced. At the same time, another critically important electronic item which had been purchased outside of Canada was quartz crystals. A manufacturing facility for this important item was established in Canada and when hostilities broke out Canada was fortunate not to be completely dependent on foreign sources for an item which at that time constituted practically the heart of defence electronic equipment."

From my own experience in the Department of Defense Production, I realize the many problems which beset the authorities in trying to work out a closer relationship between industry and government. However,

I feel certain that a closer relationship and a better understanding between the parties concerned can be achieved.

It has been said that industrial development in Canada is going through the same stages as in the United States, but with a considerable time lag. For the next twenty-five years, and beyond, there is little doubt but that a great deal of direct technical assistance must be obtained from beyond our borders. Many secondary industries which will be economically justified as our population grows, are yet to be established. A great many of these industries require a vast amount of technical and other support. While support must come from outside the country, it can be obtained in various ways. One way I would like to describe briefly and, with your indulgence, I will refer again to my own company.

Philips Canadian Industrial Development Company Limited is the latest of a series of Canadian companies established by Philips of Eindhoven, Holland. The formation of this company represents a new chapter of a research and manufacturing story which began some sixty-five years ago in Holland. Growing out of initial research on lamps and vacuum tubes have been a great many complementary or by-product activities and a vast research organization whose present work will result in yet more developments. The motivating force behind this Philips' venture is the rate at which Philips has been developing products and manufacturing processes and the consequent problem of finding a suitable vehicle to introduce these commercially outside of Europe.

Choosing Canada because of its great potential, the management of Philips believes that many important new industries can be established here based upon its accumulated know-how and related patents. The new company will make Philips' processes, machinery and manufacturing techniques available to any company possessing the necessary capital, organization, and talent, to make a success of a chosen project. While partnership arrangements and some equity interest may, in some cases, be involved, financing and control, we expect, will usually be strictly Canadian. The end result, we believe, should be a stimulus to Canadian industrial development. Thus producing industries hitherto unknown here, or industries expanded upon the basis of Philips' research and development, but without foreign control.

Industrial development will be one of the major characteristics of our next period of growth. It is my belief that, in guiding our country through this extremely important phase of its economic development, we can and should use to advantage, not only our domestic resources but also the many foreign resources available to us, including our valuable technical and commercial connections in other countries.

I thank you very much.

THE CHAIRMAN: Thank you very much, Mr. Brophy. I like the note you ended on. I quite agree we should do as much research work as we can in this country, but it seems to me that one of the great assets we have in Canada is our access to research facilities of companies in the United States and in other countries. If

we didn't have that access we would be in a very different position, I expect.

In the Association brief there was a reference to costs, I think -- I am not sure about any page numbers -- I guess we were working on the original copy that you sent us -- but I will read the reference; it is page 37, and I think that is the original.

"The current prices of Canadian radio and television receivers compare favourably with those prevailing in the United States for truly comparable models; if they are higher in Canada it is due to the excise and sales taxes."

I was surprised to hear that, because I suppose relatively, taking into account the difference in the size of the market, there are far more companies manufacturing radios and television sets in United States than there are in Canada. Is that correct?

MR. POLLOCK: That is right, sir.

THE CHAIRMAN: Well, can you produce a radio or television set as cheaply in a small plant as you can in one of optimum size, whatever that may be?

MR. POLLOCK: No, sir, there certainly would be an optimum size, but as stated in our brief we are doing a good job in production, not only --

THE CHAIRMAN: Well, how do your costs compare with the United States? I don't mean yours personally.

MR. POLLOCK: No.

THE CHAIRMAN: But anybody who has access --

Mr. Pollock

well, some of the companies -- we shall ask Mr. Campbell back there. How do your costs compare with the costs of comparable sets in the United States?

MR. CAMPBELL: Are you asking me, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. CAMPBELL: Well, we made one definite comparison which we cited in our brief on one model, and if I remember rightly on that particular model, making allowances for some differentiations which we explained, it was, I think, 23 per cent.

THE CHAIRMAN: I see.

MR. CAMPBELL: Making comparisons of costs is one of the most difficult things that there is to do, due to two main reasons: first of all, like products for like products; and secondly, different conditions of computing the costs. And we have tried to point that out in our brief fairly carefully.

THE CHAIRMAN: I was interested in asking the question. We asked a similar question in Montreal from representatives of the industry there. I asked this question: If there were fewer manufacturers of radio and television sets in Canada would the costs of the fewer remaining companies be less than the average costs are today?

MR. POLLOCK: They would undoubtedly be reduced because of the increasing volume, sir. The distribution costs would likely be reduced as well.

THE CHAIRMAN: I don't know enough about your industry to have any opinion whatever, but certainly in some industries in this country which have appeared

before us and have explained some of their problems, the one solution would appear to be some form of concentration or a reduction in the numbers, that there were too many people scrambling for too small a market. Now, I don't know whether that applies in this industry or not.

MR. POLLOCK: Certainly there are a great many manufacturers in Canada. There are about twenty-five manufacturers in Canada, twenty-two of which are members of our Association, and in the United States there are some seventy or eighty members of the Association and an unknown number of smaller manufacturers who do not belong to the Association. So that while our population ratio is, let us say, about ten to one, the number of manufacturers in Canada in relation to population is, let us say, twenty-five to fifteen million, and in the United States it is some seventy odd to 150 million.

THE CHAIRMAN: Well, I suppose it is an industry that is relatively easy to get into, I mean it does not require as much capital, I presume?

MR. POLLOCK: That is right, sir.

THE CHAIRMAN: As some others?

MR. POLLOCK: That is right.

THE CHAIRMAN: So it is not one which lends itself, then, perhaps, to concentration, the way the steel industry or automobile industry, or something like that, does?

MR. POLLOCK: I would like to go back to speak further to Mr. Campbell's statement about 23 per cent. He mentioned it was extremely difficult to have models that we can compare from United States to Canada

because of C.A.S. --

THE CHAIRMAN: I know it is set out in your brief.

MR. POLLOCK: And things of that sort mentioned in our brief. But by and large it is our general impression, the costs in Canada are between five and ten ^{more} per cent /than the costs in the United States.

THE CHAIRMAN: Is that all?

MR. POLLOCK: That is my general impression. In this case, I must speak personally --

THE CHAIRMAN: Yes.

MR. POLLOCK: -- because we have made no survey as an industry, but that is my general impression.

THE CHAIRMAN: That is a very small differential, I would think, if you took industry as a whole, in this country?

MR. POLLOCK: In many cases the component manufacturer is doing a very good job of supplying parts very close to American prices.

There is another aspect of the thing that must be considered and a part of cost, of course, is overhead. Well, what is in overhead, one company puts that in design and another company puts that in overhead. So it is extremely difficult to make comparisons. So we feel that about five to ten per cent --

THE CHAIRMAN: You mean we have less overhead in Canada than some other countries?

MR. POLLOCK: In some respects we have.

MR. BROWNLEE: Mr. Chairman, there is one point I might add to what Mr. Pollock has said. He

mentioned, I think, seventy manufacturers in the United States. I suppose we all know there are many more plants represented by those seventy. In other words, they have plants spread right across the United States.

THE CHAIRMAN: Yes.

MR. BROWNLEE: Which probably has a bearing on the question.

MR. POLLOCK: My statement was that there were that many in the United States in the Association and an unknown number outside.

MR. GRAUER: On the question of research, on page 3 of your submission, Mr. Brophy, you say:

"There are encouraging signs that this industry is finding it possible to do more and more development and basic research in Canada."

That is so, is it? That is, despite the difficulties?

MR. BROPHY: I am not hearing you properly, sir.

MR. GRAUER: On page 3 of your statement --

MR. BROPHY: Yes.

MR. GRAUER: The third full paragraph you say:

"There are encouraging signs that this industry is finding it possible to do more and more development and basic research in Canada."

That is despite the research difficulties?

MR. BROPHY: That is right.

MR. GRAUER: We heard about.

MR. BROPHY: That is right.

MR. GRAUER: The trend is in the right direction.

MR. BROPHY: It is in the right direction, and there are some of the manufacturers getting into research work. This is quite recent, but it has happened.

MR. GRAUER: But your fear is that the trend is not sharp enough or fast enough?

MR. BROPHY: That is right.

MR. GUSHUE: The necessity for government taking the industry into its confidence, as far as plans, and also, as I understand from the brief, the object of getting more co-ordinated research, has there been any approach to government in that direction by the industry?

MR. BROPHY: I am not quite sure I understand your question.

MR. GUSHUE: Well, it is a double-barrelled question, but it really means the industry has expressed the view that it would be a good thing if government took the industry into its confidence, if they discussed their own research and their own plans. I was wondering if any approach had been made in that direction?

MR. BROPHY: This is in the matter of defence, bringing in the matter of defence thinking.

MR. GUSHUE: And research.

MR. BROPHY: Yes, and an outgrowth of closer relationship between government and industry. Yes, there have been discussions over a period of time.

MR. GUSHUE: With any result?

MR. BROPHY: I think so. Yes, I don't

think we are close enough yet, but I am quite safe in saying that there have been, there is a closer relationship but I think it can be tied more tightly, shall I say?

MR. GUSHUE: It is something on the move, at any rate?

MR. BROPHY: " It is on the move, it is not dormant. But the faster it can come along I think the better for all concerned.

MR. GUSHUE: And how dependent is the industry on patents which are owned by companies outside Canada? Is it very largely tied up with outstanding patents outside of Canada?

MR. BROWNLEE: Possibly I can speak on that. There are a great number of the patents in the industry, they have a very complex variety and developments have been made by so many people. From the start of the industry, in 1930, the central licensing was set up, known as the Canadian Central Licensing Agency, so that any newcomer in the field can get pretty well overall coverage of this vast number of patents, seven or eight thousand, plus the continuing new ones, for a comparatively nominal royalty. So a lot of these inventions originate in these companies but they do apply to Canadian manufacturers in quite a large way.

MR. GUSHUE: And there is no difficulty in taking advantage of those?

MR. BROWNLEE: No, anyone may have a licence. But the number of companies that have been manufacturing radio and television receiver sets since World War II is some 82. There have been 82 companies in Canada licensed to make radio or television receiver

sets since World War II. At the present time there are about 35 in operation, the others have failed because of the obvious very highly competitive position of the industry, and many of these have been extremely small companies. But they have had no problem from the standpoint of the patents having originated in other countries or being controlled by larger companies.

MR. GUSHUE: I was rather struck by Mr. Brophy's reference to the comparison in applications and granting of patents in the fact that the Canadian figures were falling off. Were many of these Canadian applications, say, in 1954, 1160 in this field of electronics?

MR. BROPHY: I don't believe I can answer that. I don't know the breakdown.

MR. GUSHUE: It is just a matter of curiosity.

MR. BROPHY: Yes, it could probably be broken out.

MR. GUSHUE: Are many Canadian companies in this field associates of companies outside, American companies or English companies?

MR. POLLOCK: Yes, sir.

MR. GUSHUE: Would that be the rule rather than the exception?

MR. POLLOCK: Yes, that would be the rule rather than the exception. I would say a good example is of our Association now there are companies outside the Association manufacturing radio and television sets, and in our association we have twenty-two companies, and of those twenty-two companies sixteen are companies which are branch plants of either American organizations,

English and abroad, and the remaining six are companies which are purely Canadian.

MR. GUSHUE: These branches would be purely branches of the outside companies?

MR. POLLOCK: Canadian subsidiaries.

MR. GUSHUE: Fully owned?

MR. POLLOCK: That I cannot say as to the ownership of those plants.

MR. GUSHUE: Are there many sets, radio and television, that are of Canadian design, or are they mainly a design that comes from some other source?

MR. POLLOCK: In most cases the designs are changed and modified to suit Canadian conditions as we have come to know these. In some cases those modifications are relatively minor, and in other cases they are of major proportions. Most companies have engineering facilities. I cannot say the extent of the difference that exists between, let us say, a set on the other side and a set in Canada, but by and large the Canadian companies do engineering work of their own, and we feel that that should be augmented and stimulated further by the research that could go on in our industry.

MR. GUSHUE: I judged by that that there has not yet been what you might refer to as a Canadian designed radio or television set? They usually follow and perhaps improve on designs of other manufacturers?

MR. POLLOCK: Dr. Gushue, the general design of a television set or a radio set is something that is a fairly standard thing. There are various ways of accomplishing this result or that result, but by and

large by this time radio and television designs, basic designs, are fairly standardized.

MR. GUSHUE: Just one more question. In your recommendation 4 you suggest meeting with various departments of government and the industry --

"to formulate an active programme for expanding the present facilities for higher technical education, for the founding of new centres of technical learning."

You regard that as something that is a necessity in Canada, that there is a gap there that we need new centres of technical learning?

MR. POLLOCK: We do, sir. We think the junior college idea, which has been recently promoted by the Ontario Government is a very good one. We feel there are a lot of people who could benefit greatly by the equivalent of two years' university and perhaps would not wish to go further than that, but their technical competence would be improved to Canada's benefit.

MR. GUSHUE: Thanks.

THE CHAIRMAN: Thank you very much indeed, Mr. Pollock and Mr. Brophy. We are most grateful to you, and also for the interesting way you submitted this presentation.

MR. POLLOCK: Thank you very much.

THE CHAIRMAN: We will have an adjournment for ten minutes.

--- Recess.

--- After recess.

THE CHAIRMAN: Mr. Greb, we will mark your submission Exhibit 229, and if you would like to begin we are all ready.

MR. GREB: Thank you. Mr. Chairman and gentlemen, we are pleased to have the opportunity of appearing before you this morning to table the brief that was forwarded to you a short time ago on behalf of the members of the Shoe Manufacturers' Association of Canada. It is not our intention to read this brief, but we would like to make some observations about the present conditions in our industry and to present a forecast for the future. These conclusions are, by and large, supported by our brief.

Our industry is presently operating at a satisfactory level of production but is engaging in fiercely competitive practices. It would appear that we are in a period of trial and that only the fittest will survive. Should some companies be unable to continue, it is unlikely that they will be replaced by new companies.

The trend would appear to be towards a highly efficient, specialized, large volume type of operation as compared with the smaller general type of company which we have had in the past. This type of operation will require large manufacturing units which will likely be publicly owned, and the family type of operation which we have had will largely disappear.

These larger units will require considerable capital and it is difficult to see just how this will be raised. It is expected that United States companies whose expansion plans have been curtailed in

the United States and who look upon Canada as the land of opportunity will increase their investment in our industry.

The industry is almost entirely dependent on the domestic market for its livelihood and this market should continue to receive the tariff protection it now has.

While productivity will continue to rise as a result of improved machinery and methods it is not anticipated that full automation can be applied to the shoe industry. The industry will therefore continue to provide employment for relatively the same number of people as in the past.

Shoe consumption is presently running at 2.46 pairs per person and it is expected that this will increase to three pairs per person by 1980. Assuming a population of twenty-five million by 1980 our domestic consumption and hence our production should approximate seventy-five million pairs.

In the past the industry has been able to keep up with the demand and as a matter of fact has always had a considerable capacity in reserve.

In conclusion therefore we believe that the shoe and leather industry and allied trades will have no difficulty in supplying the increased domestic requirements of footwear in the years under review.

All of which is respectfully submitted.

THE CHAIRMAN: Thank you very much, Mr. Greb. In your submission in the brief, at the top of page 3, in describing the industry, you say:

"At the end of 1955 the industry employed 21,500 workers of whom 47 per cent

were female."

How do wage rates of your industry compare with wage rates of other manufacturing industries in Canada?

MR. GREB: I would think that wage rates are possibly average. They would not be as high as some technical industries, and on the other hand I do not think they would be classified among the lower rates.

THE CHAIRMAN: Is the industry unionized pretty well?

MR. GREB: Only partly.

THE CHAIRMAN: Of the 21,000 people how many would belong to unions?

MR. GREB: I would not have that information, Mr. Gordon.

THE CHAIRMAN: Fifty per cent? -- you don't know?

MR. FAURE: Less than fifty per cent.

THE CHAIRMAN: Less than fifty?

MR. FAURE: Oh, yes.

THE CHAIRMAN: On this question of shoe machinery, can the manufacturers buy their own machinery if they wish to?

MR. GREB: Yes, they can now purchase any machinery they wish to buy.

THE CHAIRMAN: They didn't used to be able to do that?

MR. GREB: No, that is a comparatively recent development. A large portion of the machinery, particularly in the Goodyear Welt process was not available for purchase until a few months ago.

THE CHAIRMAN: As recently as that?

MR. GREB: Yes.

THE CHAIRMAN: What was the reason for the change?

MR. GREB: It is following the monopoly decision against the United Shoe Machinery Company in the United States.

THE CHAIRMAN: I see. It was action taken by the United States?

MR. FAURE: Anti-trust division.

THE CHAIRMAN: Has made the change. Will that be of any advantage to you? I mean, do you want to buy the machinery or do you prefer to rent it?

MR. GREB: I would think that the Canadian industry by and large will continue to rent their machinery.

THE CHAIRMAN: I suppose by and large it is not an industry where there is a heavy accumulation of capital?

MR. GREB: That is quite correct.

THE CHAIRMAN: Which means there are a good many of you in the industry, which is the reason why it is so competitive, I suppose?

MR. GREB: Yes.

THE CHAIRMAN: Or is it competitive now? Is there over-capacity in the industry? -- first of all, can you talk about the shoe industry or would you have to break it down between men's and women's and slippers, and so on?

MR. GREB: Yes, there are very definite divisions within the industry, as you have suggested, not

only between men's and women's, but also between processes, and it is very difficult to make a general statement about the industry as a whole. I would think, though, that in all branches of the industry there is capacity in reserve.

THE CHAIRMAN: Is it a matter of concern to you that a number of Canadian companies have been taken over by larger American concerns, or does that make any difference?

MR. GREB: We have attempted to state the conditions as we see them rather than pass any opinion on them, pass any judgment on them. As mentioned in our brief, the advent of American companies into the Canadian shoe industry is regarded by some as a new form of competition, an extremely active competition. They have introduced a highly specialized, large volume type of operation that was not in effect prior -- well, not generally in effect -- prior to their coming to Canada. The Canadian manufacturers have felt in the past that in order to secure sufficient volume we have had to have a very broad range of footwear, and feeling that the domestic market was not sufficiently large for a specialized type of operation. I think it has been conclusively proven to us now that there is room for specializing in our present domestic market as far as footwear is concerned.

THE CHAIRMAN: I see.

MR. GRAUER: You get considerable economies, do you, by this large volume production?

MR. GREB: Yes, there are economies of labour and equipment that are quite substantial.

MR. GUSHUE: Is the trend towards larger companies tied in with your remarks of American companies

taking an interest in the market?

MR. GREB: Yes, but not necessarily so. And it is difficult to see where these larger companies are going to originate within our present Canadian industry, and four of the big five manufacturers in the United States are presently active in the Canadian market, two by outright ownership and two under licence.

MR. GUSHUE: Have they taken over plants, these two, or built up their own plants?

MR. GREB: No, fortunately they have taken over existing plants and have not added to the dislocation, but they might have done had they started entirely new plants.

MR. GRAUER: I am not quite sure from your brief whether you are advocating increased tariffs or simply a maintenance of existing ones?

MR. GREB: No, we are advocating an existence of the present tariff or maintenance.

MR. GUSHUE: There were reductions in 1938 in the shoes, weren't there, footwear? Were there again in 1945 at Geneva, do you know? There were some reductions in 1938, I believe, in footwear.

MR. HENRY: Yes, two per cent, I think, sir.

MR. GREB: They were not very large.

MR. GUSHUE: The export markets, you think, you have that theory, are lost. They were mainly to the West Indies, weren't they?

MR. GREB: Yes.

MR. GUSHUE: Who supplies these now?

MR. GREB: They are supplied by England.

MR. GUSHUE: United Kingdom?

MR. GREB: United Kingdom.

MR. GUSHUE: I don't know whether it is a fair question, you may rule it out of order if you like, but I notice one of the suggestions is we ought to encourage people to walk more, to wear out more shoes, I take it. I was going to ask the question whether the Association is setting an example in that regard, or not, but you don't need to answer that.

THE CHAIRMAN: Well, they didn't come here on horseback.

MR. GREB: We were undecided about walking down from the hotel this morning. I see now that we should have walked.

Further to your question, sir, on the export picture, limited exports have gone to the British West Indies at a certain price level that is below the type of business that the U.K. manufacturers are securing, and that happens as a result of the B.W.I. authorities granting import licences from Canada at a certain price level and they do not issue import licences at the figures on which the most expensive lines of men's footwear can be granted, they are granted for the United Kingdom. They have a fair supply of dollars, actually, of Canadian dollars, in the West Indies, but it is all --

MR. GUSHUE: But it is all under licence?

MR. GREB: I think it is something like \$8 million a year that they have to work with there.

THE CHAIRMAN: Do you include the rubber footwear people in your Association?

MR. GREB: We don't undertake to represent

them. They are members of our Association, associate members.

MR. GRAUER: What proportion of the market is shared by Canadian production and American production and U.K. production, respectively, approximately?

MR. GREB: We are under the impression that it is about ninety per cent Canadian and the balance would be divided possibly, roughly, between United Kingdom and United States. The United Kingdom on men's footwear and the United States on women's footwear.

MR. GRAUER: And the ninety per cent, of course, includes the American firms which are located here?

MR. GREB: Yes.

MR. GRAUER: As far as dumping is concerned, which you mention on page 13, the present tariff protection is adequate for that purpose, is it?

MR. HENRY: We have found, Mr. Grauer, that there were some obvious cases of dumping a couple of years ago from Czechoslovakia. We did secure full co-operation from the appraisers in National Revenue and to a degree that type of imports has been curtailed. On the other hand there are types of importations coming into this country which are very difficult to identify, and we hesitate to identify them as dumped merchandise, yet they are arriving at extremely low prices and at the present time the departmental appraisers in Ottawa and in London, England, are reviewing the domestic price lists for U.K. manufacturers who are regular exporters into the Canadian market. Expressed in dollars and cents they would look like dumped merchandise. On the other hand, our

departmental people, using the terms of reference that they have, have not been able to come up with an identification of them as dumped. So that is where we stand today. A substantial proportion of the men's footwear market is affected by these shipments from the United Kingdom, and we have hesitated to identify them as dumped. But they do constitute a problem, and it is being investigated. It could be that what with labour rates over there, they can come up with domestic price lists that leave them clear of any charges of dumping into the Canadian market.

MR. GRAUER: Am I right in my impression that ^{is} the trend towards fewer lines and larger volume of production in those fewer lines?

MR. GREB: Yes, fewer lines, fewer processes, and larger volume.

MR. GUSHUE: Did some of the Czechoslovakia manufacturers come to Canada some few years ago -- I seem to remember. Am I correct in that, or not?

MR. GREB: Well, the Bata organization, of course.

MR. GUSHUE: Yes, that is one.

MR. GREB: They are presently in Canada and they have brought out a considerable number of men who have left them and started business of their own, but they are now, of course, Canadians.

MR. GUSHUE: They are part of the competition now?

MR. GREB: They are part of the competition.

MR. HENRY: While you are on that particular line of inquiry, sir, it is pertinent to note that

there are representatives of West German interests looking closely at the Canadian picture at the present time, and presumably they have certain ideas with regard to maybe investment in Canada, and so on.

MR. GUSHUE: You would probably be better off to have them over here than over there, wouldn't you?

MR. HENRY: Yes, then we can compete with them on an equal basis.

THE CHAIRMAN: I used to be in the tanning business once, and I am going to ask a question out of just pure curiosity -- it was upper leather and not sole leather. But at that time the substitutes for sole leather were increasing at a fairly substantial rate. What percentage of sole leather goes into shoes now? Is it fifty per cent or is it less than that?

MR. FAURE: It is approximately that -- it is about forty-five per cent.

THE CHAIRMAN: Forty-five per cent and the balance is plastics?

MR. FAURE: Non-leather, yes. That has been fairly constant, though, over the last number of years, actually. There is a very slight trend today, I mean it is fractional, and it is not actually discernible, actually going back to more leather, but it is hardly discernible.

THE CHAIRMAN: What about upper leather material?

MR. FAURE: Only to a very small extent -- primarily leather -- and madam fashion will decide whether it is going to be leather or fabric or some other

material -- primarily leather.

THE CHAIRMAN: Well, thank you very much. We are very grateful to you.

MR. GREB: Thank you.

THE CHAIRMAN: Mr. LeClair, you are not here as a lumber man this morning?

MR. LeCLAIR: Unfortunately not, since I am not as much at home today as I was then.

I have much pleasure, though, sir, in being here as president of the Canadian Federation of Property Owners' Association. That is an association of associations, -- the national body of property owners operated under federal charter, on behalf of its board, and also to express to you our sincere appreciation for the opportunity of expressing to you our views.

Our brief was prepared under directions of my board by Mr. R. M. Willes Chitty, Q.C., our honorary president and counsel, and with your permission, sir, I would ask him to present it.

THE CHAIRMAN: Thank you. We will mark it Exhibit 230 for the record.

MR. CHITTY: Mr. Chairman, in presenting this brief may I say that ^{it} does seem possibly that I take a little while to get to my point, but I think the point can only be made with a fairly extensive review of conditions which would be obvious to your Commission, and you, yourself, sir, but which ought to be there in order that the brief hang together.

Perhaps I should apologize for the length of the preamble, but in view of the fact that the brief

is a brief and not a very lengthy dissertation on the subject, I think perhaps you will forgive me for that, and I think I perhaps might read it and perhaps add a word of comment as I go, and not take any undue portion of your Commission's time.

Canada's economy is founded on the right of private property and must, if it is to continue to expand, build upon that foundation. At the present stage of her existence she is still a nation that marketwise trades natural resources and raw materials for the bulk of the consumer goods that she needs. But already the end of that era is approaching. Her agricultural products on which in the past she depended for a favourable trade balance are being priced out of the world markets in an endeavour to maintain a standard of living higher than that of many of her competitors.

There is at the moment the beginning of a transition in which if the expansion of her economy is to continue she needs population to increase the exploitation of natural resources as well as to create a home market for her raw materials and agricultural products, and capital to supply the facilities to enable her increasing population to take advantage of the opportunities without which the present standard of living cannot be maintained. Capital will not invest if the right of private property is not maintained and immigration, without which the growth of population cannot be achieved, will not be attracted unless the prospect of the continuance of the right of property is maintained. It was not without sound foundation that in the period of

greatest growth of the United States by immigration, the chief attraction of that country was the sobriquet the land of the free."

Canada's form of democratic government, like that of the two great countries to which she owes her birth, is government by the consent of the governed. The people elect their representatives to make their laws for them and in turn obey those laws because they are the laws that their representatives have made for them and in their name. Another way to express it is the phrase freedom under the rule of law and the cornerstone of freedom is the right of property.

Under such a system the individual cannot be subordinated to the state, because the state is simply the individuals en masse, and it is axiomatic that the whole cannot be greater than its component parts. True the will of the minority must bow to that of the majority but that does not evidence the superiority of the majority, for the minority of today will be the majority of tomorrow. Neither does that make the state in the guise of an ephemeral majority superior even to the individuals of the minority because the state includes both majority and minority and each has equal rights.

The state, thus consisting of the individuals who compose it, must always be subordinate to those individuals because it only exists by the consent of those individuals and only functions through their representatives. The state must, therefore, at all times be the servant of the people or the individuals who compose it.

The basic unit of the state is the family because without the family there would be no individuals. That is where civilization began. From the family came the tribe. From the tribe came the nation. The existence and economy of the nation are governed by the basic unit, the family. Collectivism, statism and all the other isms founded on ideologies that deny the right of private property subordinate the individual to the state, offer security at the price of freedom and when freedom has thus been bartered for the biblical mess of potage, ration a measure of security to those only who subserviently lick the boots of the state.

Therefore, it seems that if Canada is to continue to expand her economy by attracting immigrants and the capital needed for the maintenance of her expanding economy she must continue to maintain freedom under the rule of law and found her economy on the unit of the family which can only be maintained if the most precious right of the family or individual is preserved, the right of private property.

The first essential of the family is the home where not even the crown or the state can intrude except under the due sanctions of the law. The ideologies that put the state above the family and deny the right of property in effect deny the sanctity of the home and found their economy on slave labour and a pittance of security in exchange for meek subordination to the decrees of a dictator or an oligarchy.

In order to maintain the home as the first essential of the preservation of the family, a free

economy must ensure that home ownership as well as the sanctity of the home is brought within the means of as many families as the state of that economy will permit. That does not mean that every family must own its home outright, though that is the ideal that ought to be aimed at. But at least the tenant during his term of lease is entitled to exclusive occupation of his home and in a country that boasts of the standard of living that Canada holds herself out to the immigrant and the investor to maintain that ought to be within the realm of possibility. It would seem, therefore, that in any consideration of the future of Canada's economy account ought to be taken of the things that militate against the right of every family to its own home.

Private and responsible enterprise has done everything within its power to encourage home ownership and the provision of accommodation available under leasehold ownership for every family. It has always been handicapped by the intrusion of the state in the field in the form of subsidized or state assisted housing schemes, none of which have ever proved economically successful.

But the main discouragement of home ownership has for the last half century at least been the maintenance of a tax structure under which the property owner has been forced to bear an inequitable burden of municipal tax revenue. In the nineteenth century, when agriculture was the basic occupation of the population of Canada and there was little industry or urbanization, it was probably fair that the land owner should bear the brunt of municipal taxation because the revenue thus derived

was almost if not entirely spent on services from which the property owner benefited and which were necessitated by and for the development and improvement of the land. But when the industrialization of the country grew to a point where agriculture ceased to be the major occupation there grew up a demand for the expenditure of municipal revenue on services having no relation whatever to the ownership of land and from which the landowner derived no commensurate benefit. Also with the spread of the socialist doctrine of the welfare state the political practice of bribing the voter with the tax money taken out of his own pocket multiplied the number of those services besides increasing the demand for their expansion. Under these circumstances a tax structure designed for the early agricultural expansion of the country broke down completely under the entirely different conditions of industrialization and urbanization. Real property continued to bear 90 per cent or more of the burden of municipal revenue to which the vast majority of those who benefited from the expenditure of more than half that revenue contributed little or nothing, while at the same time the property owner was at least contributing his fair share of the revenue at other government levels. With the constantly increasing budgets of the other levels of governments the property owner is in fact being taxed twice for his ownership of property and sometimes even three times. By that I mean he is not only paying at the municipal level and at the federal level, he is in some cases paying also at the provincial level for the right or the privilege of owning property.

The British North America Act, 1867, was an unique and unprecedented experiment in federalism. That after almost ninety years of its existence no vital flaws have been found in it is a demonstration that the Fathers of Confederation, ably assisted by the Imperial Parliament, builded better than they knew. Canada and Canadians in the inspiration of building a nation have, of course, contributed much to the success of that experiment. But if the foundation had not been sound the structure of the present nation would have been impossible. If then in the light of unprecedented economic conditions, world conflicts and the blossoming of new ideologies bent on the subversion of the fundamental structure of the economies of the free nations, it has become abundantly apparent that the allocation of tax fields in 1867 cannot meet the economic needs of modern conditions, that is no evidence that the constitutional foundation of our system of government is not as sound as it always was.

But it has become increasingly apparent that there are inequities in the tax structure. The Dominion-Provincial tax rental agreements whose basic object is insurance of a fair distribution of economic prosperity between the provinces are evidence not only of the need of a fresh look at the allocation of tax fields but also of the spirit of cooperation in which the problem can and will be solved. Nevertheless, at the same time from the property owner's point of view there is an increasing need for a reconsideration of the tax structure in the municipal field as well. As has been pointed out the continued growth of Canada as a nation depends on the attraction of

immigrants to increase population and capital to enable them to exploit the economic potential of the country. But this also must depend on the maintenance of the freedom under the rule of law, the keystone of which is the right of private property. This right is jeopardized by the encroachments of the welfare state that prizes security above freedom and having whittled away the latter refuses to guarantee the former. The present system that puts an inequitable burden on the property owner lends too much aid to those who seek to subvert our whole economy by destroying its very foundations, by making property ownership uneconomical thus striking at the fundamental concept of the family as the basic unit of the nation and so wrecking the whole structure upon which the nation and its government are erected.

The Federation of Canadian Property Owners' Associations, therefore, humbly submits that no proper estimate of the future economic prospects of Canada can be made without a searching inquiry into the re-allocation of fields of taxation with a view to the relief of the property owner from the inequitable burden put upon him by a system which is demonstrably inept to the needs of a nation in the throes of transition from dependency on natural resources and raw materials for her wealth and prosperity to one in which industry and home markets must play an ever-increasing part.

Sir, might I just add one word by way of illustration of some of those things I have been saying there. The basic structure of municipal taxation in Canada is -- or the Assessment Act in Ontario,

I would think, is probably the foundation on which the other systems of municipal taxation in the other provinces have been built -- it was passed originally well over a century ago, and the purpose of passing it was to change the system of municipal taxation from the English rating system which rated property on its revenue-producing values to a system on which there was a tax based on the capital value of the property and which was payable whether the land was improved and developed or whether it was not. At that time there was much land being held in Canada by absentee landholders who refused to bring their property into the market for the reason that if they brought it into the market they would be taxed. As long as they kept it off the market they were not taxed. So the Assessment Act was devised with that idea in view. Now we have got to a stage where we only have to look at any large city to see that the Assessment Act is working in reverse now, and is driving into blighted areas and waste lands, once valuable land in the middle of cities and towns, simply because the ownership of the property, owing to the system of taxation, has become uneconomic, and I think possibly one of the good examples, or not examples, but one of the illustrations of the fact that the system is uneconomic is the fact that we have to resort to the threat of forfeiture by way of sale of the property for non-payment of taxes. If there was an economic tax structure in the municipal field it would be quite unnecessary to hold over the property owner's head the threat of forfeiture for sale of his property for non-payment of taxes, because if ownership of property was economic there would be no question about it,

the property owner would much rather keep his property than lose it, and he would pay his taxes under the ordinary sanctions of the law for collecting what is really a debt between the taxpayer and the municipality without having to hold the additional threat over his head and giving the municipality the privilege of taking over properties that the taxpayer can no longer economically afford to hold.

Thank you very much, sir, and I hope I have not taken up too much of your valuable time.

THE CHAIRMAN: Mr. Chitty, we were told the other day that in Greater Toronto some seventy per cent of the houses are owned by the people who live in them, which struck me as being a fairly high percentage. How do you reconcile that with the conditions that you have been talking about?

MR. CHITTY: Well, sir, in the first place I challenge the figure. At the present time I would think there were about 120,000 home units in the city, something between 60 and 65,000 --

THE CHAIRMAN: I don't mean the city -- I mean the greater metropolitan area.

MR. CHITTY: I have not the figure for that. I can give you just the figures for the city itself.

THE CHAIRMAN: I am sure that would not be true in the city.

MR. CHITTY: It would be very little over fifty per cent.

THE CHAIRMAN: Of course, over the years ownership has been going on around the outskirts?

MR. CHITTY: Oh, yes, and has been very much

encouraged and carried on by the easy terms on which people can buy their houses now, ten per cent down and ninety per cent on a mortgage.

THE CHAIRMAN: It has been suggested to us that the trouble is the ninety per cent should be greatly reduced.

MR. CHITTY: Perhaps so. But perhaps not too bad an example is the township of North York, in which I live -- just part of my property -- part in the city and part in the township of North York, and the Court of Revision in that township has to my knowledge now been sitting in some places in the township for three weeks dealing with appeals from the assessments put on the properties up there. At the moment the tax roll is in a somewhat chaotic condition.

But the people up there are getting pretty worried about the fact that they are going to be taxed out of their homes because of the tremendous need for money, a good deal for education, of course, but a good deal for social services that have no relation whatever to the ownership of property, and in the education field the provision of fads and frills in the schools, in which the school is not a school any longer but has become a youth centre, and the burden of which should not be put on the property.

I always tell an amusing story of one time when I was talking to a meeting about these matters, where the tax rate in the township was going, and so on, and suggesting that a great many people in these little houses that they were then building, didn't pay for the services that were then being given, and a woman in the back of the room said -- I was talking particularly about

education -- she said she paid her taxes. So I asked her, "How many children have you got?" She said five. I said, "What are your taxes?" She said, "Twenty-five dollars." Well I said, "Do you realize that it costs \$600 for the township to educate these five children of yours, and you say you pay taxes when you pay \$25, including your educational tax?"

There is no appreciation of the cost by the people and they are rapidly -- particularly in metropolitan Toronto -- rapidly running into a situation where some solution has got to be found for this. And my thought was that perhaps this Commission might give some thought to that, or at least have that point of view presented to you because it is a vital factor, in my view -- I very humbly submit that, my view -- as to any consideration of the economic prospect of Canada.

THE CHAIRMAN: Thank you very much. I can assure you we are conscious of the problems of the municipalities and we have had a good many representations on that subject, and we are most grateful to you for this talk. Thank you very much.

MR. CHITTY: Thank you very much, sir.

THE CHAIRMAN: We will adjourn until two-thirty.

(At 12.30 p.m. the Commission adjourned
until 2.30 p.m.)

A F T E R N O O N S E S S I O N

THE CHAIRMAN: Well, Dr. Griffin and Dr. Line, we are very pleased to welcome you to our proceedings this afternoon. We will mark your brief Exhibit 231, and if you would like to present it we are all set. Sit down or stand up, whichever you prefer.

DR. GRIFFIN: Thank you. I must say by way of introduction, gentlemen, that we have been very much impressed by photographs of the stack of briefs and books that you have received, and so we have been trying our best to keep our brief short. This does not mean that the subject is not a big one, however, and we do hope that there will be some opportunity for you to question us and discuss various points which are referred to perhaps all too briefly in the brief.

MR. GUSHUE: We thought you were going to say you were impressed with photographs of us.

DR. GRIFFIN: No.

THE CHAIRMAN: It is certainly the shortest brief I have ever seen the Canadian Mental Health Association put out.

DR. GRIFFIN: Perhaps if I read it then I could speak very briefly to part of it and my friend Professor Line could speak to the last part of it, and then perhaps we could discuss it informally.

This deals with human resources. The Canadian Mental Health Association, through its Scientific Planning Council, begs leave to request the Royal Commission's consideration of the following statements:

1. Canada's economic prospects are

inevitably bound up with the development of the country's human resources. In the context of this brief, the mental health factor is the focus of attention.

2. At the present time, more than 68,000 patients are in our mental institutions. Some 15,000 other Canadians suffer from serious alcoholic addition, of whom a significant proportion, we estimate perhaps 10 per cent, are completely disabled at any one time. At least 15,000 additional persons, though living in the community, suffer from completely disabling psychiatric illness; another 15,000 also not in hospital are disabled by reason of mental retardation and deficiency. The sum total (in excess of 100,000) represents a significant economic loss and a serious economic liability to our country. I should explain in parenthesis here that this figure refers to a lifetime prevalence, with continuing impairment after recovery perhaps from a serious disabling illness lasting a temporary time.

3. In addition there are those who are partially incapacitated by virtue of milder forms of mental and emotional disorder. A recent survey in an eastern Canadian town revealed an incidence of 370 per 1000 of the adult population in this category. During the last war, 10-15 per cent of apparently healthy adults between the ages of eighteen to forty-five were rejected from military service because of psychiatric disability. A conservative estimate would be that at least a million of our present population are seriously impaired in their working function by mental, and, we should add, emotional ill-health.

4. We have no true way of determining whether mental illness and disability are increasing. Statistics during the past ten to fifteen years have indicated a progression beyond that accounted for by population growth alone; but other factors, such as increase in age of the population, improved diagnostic and treatment facilities, public demand for earlier professional help, and so on, are undoubtedly involved. I might just add here that we have evidence that certain events and processes in our society, not unrelated to industry, are having an impact with reference to mental and emotional health that probably is increasing in its seriousness. We can discuss that perhaps later.

5. At the same time we do know that extension of preventive and treatment services, and their improvement by increased research, could add many millions of dollars annually to our national income through offsetting some of this tremendous loss through inefficiency and economic dependency.

6. There is evidence to show that certain social changes attendant upon industrialization have contributed in Canada, as elsewhere, in very specific ways, to emotional disability; sufficient, indeed, to warrant urgent consideration in regard to the future. Changes in living conditions, in value systems, in wants which have become needs and necessities, in the depersonalization of relationships to the community, in family structure and in the very meaning of the family, in mother and father roles, in educational goals and objectives, -- these and countless other indices of our social

process are not without their stressful effects upon the efficiency that is healthful living itself.

7. There is evidence also to show that within industry itself technological and organizational efficiency have been achieved often at the expense of human morale. Absenteeism due to sickness is now documented as primarily emotional -- loneliness, isolation, frustration, hostility, breakdown in human relations, and so on -- however well-fed and reasonably well treated the members of industry may be; industrial relations represent the clash of the battleground more than the artistry of the playing field.

8. More important than all the foregoing, however, is the direction of our corporate attention to the improvement of sound development (intellectual, emotional and social) among all age groups in the population. To ensure wise nurture of people of all ages, to be sensitive to individual potential wherever it is revealed, to foster and provide for adequate recognition, stimulation and growth -- this could be the development of our human resources at its best. In any event, it is a dire necessity in the present complex of world economic policy.

9. The Canadian Mental Health Association accordingly begs leave to recommend as follows:

- (a) That economic planning for Canada take full account of the need for a concerted and intensified scientific attack upon all existing problems of mental ill-health experienced by individuals, whether hospitalized or not. This means not only improved diagnostic and treatment facilities, but also and especially

research.

- (b) That economic planning for Canada take full account of the inevitable changes attendant upon industrial development both in the social community and in the working situation, by insisting upon as adequate a social science partnership as is now recognized in the realm of physical science. This is more than a public health and sanitation emergent from the bare necessity of industry's existence. It is part and parcel of the development of an industrial civilization. It is far more than a welfare annex to economic process. It means research and scientific concern, nationally supported and directed, addressed to community living and the work situation alike.

And finally:

- (c) That the important influence of the Commission be brought to bear upon all educational forces in our community which could assist in encouraging and developing the human talents which at present find expression somewhat haphazardly. This means research and action at all levels of education.

Now, Mr. Chairman, if I can explain for you in just a word or two briefly some of the points, at least in the first part of this brief.

I would like to suggest that this presentation has chosen mental health as its point of

departure. It might have taken as its starting point all ill-health because what holds for a patient who is sick in a hospital, whether he is suffering from mental illness, would also hold, of course, if he was sick suffering from cancer, tuberculosis or any other debilitating condition. But we feel that our focus on mental ill-health is justified, I think, because this more than any other single illness or type of difficulty strikes at what might be called the whole person. A person who is mentally ill, though he is efficiently, physically well, can walk around and do certain tasks, is handicapped in a great measure in his role as an effective citizen. And, of course, in terms of numbers alone, the people who are completely disabled as well as those who are partially disabled constitute the largest health problem facing us in Canada. So if we can take mental illness as a sample of a health problem, with certain reasons why it is the most important one, then other things follow quickly.

For instance, the large number of people who are partially disabled, partially crippled, with mental and emotional illness, yet perhaps not sufficiently sick to go to mental hospital or even to leave work, constitute a possible hazard, not only in terms of their work efficiency but in terms of their capacity to destroy, to be destructive, to be damaging to the social situation in which they are labouring or working, and, of course, also to be destructive in the family situation at home. These are things that have impressed us with the mental health problem in so far as it affects our economic prospects.

We have placed in this brief some facts, some statistics, but we have underscored, and I must bring this to your attention, when estimating the exact trend or the exact extent of mental illness, and any trend as to whether or not it is increasing, is extraordinarily difficult -- mental health is something that pertains to living in a very great many different facets. Mental health has to do with happy and effective family relationships, effective living in the industrial scene, affects life in recreation and neighbourhood and society, indeed, almost any aspect of life can have a mental health implication. And so there is a great tendency for us, a great temptation, I would say, to say that any problem emerging, any difficulty emerging from life is indeed basically a mental health problem. So mental health factors are often at the basis of divorce, family background, alcoholism, even crime has to a certain measure a mental health problem as a basic cause.

I wanted to say just a word, too, about what we know now in the field of prevention and the trend that is developing with reference to treatment services.

We are, I think, on the verge of a new era with reference to preventive work in mental health, in psychiatry. New findings in social science and in psychiatry are pointing the way to the importance of certain factors which previously have perhaps been of interest to us but not of striking fundamental importance, as they now seem to be.

We are, for instance, greatly impressed with the importance of the early life of the individual, especially the first three years of life, and the

influence that the mother or the parental figure, sometimes mother or sometimes father, chiefly the mother, has on that child's life in that first three years. We know from now well documented evidence that if for any reason the child is deprived of a very close, warm supporting mother's care and affection during that first three years, and if no substitute is provided and this deprivation exists for even as little time as a few months, that the child, the personality development and emotional growth can ^{be} irreversible. Now, this is an example of the kind of anxiety and understanding that we are now beginning to work with in the preventive field, for if it is possible to protect family relationships -- family relationships, for instance, as typified in mother-child relationship -- then we have gone a considerable distance in preventing possible breakdown, dissolution of personality, and so on, in this growing child.

It is ideas of that kind that are coming out now in psychiatric and social science research. There are many others; I just gave you that by way of illustration.

The significance in this brief is, of course, that any economic development which tends to break up or fracture or even lessen the welfare of the family, such as is created sometimes in heavy industrialized situations, as my colleague will describe, is a threat in the mental health field, and the protection against that threat would have preventive value.

I now pass this discussion on to Prof. Line, who is much better able than I to develop some of

the perhaps more pertinent aspects related to industrialization in its impact on mental health.

PROFESSOR LINE: Mr. Chairman and gentlemen, I don't know that there is very much I need to add at any great length beyond the brief.

I would like to say a word or two as of paragraph 6, starting with some of the changes which are attendant upon industrialization which may contribute to mental health factors, mental ill-health factors, and so on.

We are all very familiar with the very deep concern that the social sciences have developed in recent years about industrialization -- I don't mean concern in the sense of pessimism or anxiety -- but rather for considerations which really reflect an intense faith in human beings rather than a negative concern about disaffections and their disabilities. Dr. Griffin has mentioned things like the changes in family patterns, and family structure, in the degree of resourcefulness within the family which leads to a lack of degree of resourcefulness within the individual, who, not finding his satisfactions and his achievements, his expressions of what you might call the inner life, in the warm or traditional small family or rural constituency, and so forth, seeks his satisfactions elsewhere, not able to find them always in work -- some of them in work, a great many in work -- but even there, there are certain changes in work situations which do change the complex of the value system and the meaning in a society of the individual himself.

I am thinking of such concerned people, not pessimists, but such people who have tried to make

an analysis of our Western civilization as Eric Fromm in his recent book, "The Sane Society," and Reisman in Germany, "The Lonely Crowd," or Friedman in France, "The Lonely Worker."

I think frankly, sir and gentlemen, we do not yet know what this kind of change means in terms of actual mental illness, but I do believe we are beginning to know it means something negatively in terms of human efficiency, which is an economic interest as well as a human interest, and I think negatively in terms of the complete expression of what human nature actually is.

So we say in the brief that these are some concerns which are again not pessimistically viewed, not negatively viewed, but realistically viewed, and from a very strong interest in man as man these trends in social science, so to analyse and have a look at, examine the progress of the past industrial progress and the progress towards an industrial civilization. Those things are things to us of tremendous importance, and we simply represent ourselves as knowing that you would feel the same and we feel perhaps that other people have brought these same things to your attention.

In paragraph 7 we say that within industry itself there are things which seem to be in technological organization and with the onset of automation and so forth, possible threats to the completeness of human life in the work situation, possible threats to morale, and so on -- those are so well documented that I need not stress them. I mean it is perfectly clear by recent statements from the Bell Telephone organization in this

country, but their conviction is that absenteeism is a big problem and it is two-thirds an emotional problem.

Our brief mentions that we feel in what we call industrial relationship there is a tendency there to be a battleground rather than the artistry of the playing field. I would like to say just a word about that, that it seems to me one of the most negative things in the whole industrial culture, if it is true, that in industrial bargaining there is a tendency for one side to undercut the other one morally and that you have a period of an armed truce with the same process going on. I think something in that process should be looked at by techniques of social science in such a way that the human realities of that process and the human value of that process could be strengthened, whereas unless such a scrutiny is given I am afraid that it may not be so.

We say in paragraph 9 that we are concerned also with the development of manpower of this country. I know you have had, sir and gentlemen, representations from people like Mr. Galbraith on what might seem to be the same topic, and I am not sure what they covered, but I would like to say that we did not think we were being repetitious because in our mind it is simply this, that we are convinced there is a much greater potential in our Canadian humanity than is being used in the complex of the industrial energy and the complex of the industrial workshop, and it is in that sense we feel there is, well, there is a real ought on the part of the leadership in the culture you have and in the development of manpower, not from the point of view of industry's complex alone but in

terms of the need that there are untapped depths. We are further ahead in understanding how such depths might be cultivated than ever we were.

It is not merely a matter of the use of manpower for industrial purposes or in competition with other countries, but there is the reality of the potential that is man that I think in these circumstances can be better looked at, looked at and examined, and the potential fostered than ever before.

So our recommendations are along that line, that the critical facilities be strengthened, and one of the great ways to strengthen that is through research. It needs strengthening through the demand of services available. But we are confident that we are almost ready for a renaissance in this whole field of mental illness in terms of its treatment, if the present leads for research are given adequate opportunity following the tests through and becoming applied in the service of man themselves.

My personal representation is in the first part of the brief but in the economic planning it does seem to us that it is not merely an oversight, an economic wastage of sickness and its devastation of other people that Dr. Griffin has mentioned, but that the social science services should be given as strong a voice in industry as physical sciences have achieved. I believe the social sciences have justified that plea -- it is not a plea for that -- but that they be given a chance. I think if we see the problem and the way their concern is working, then they will be given a

chance.

It is more to us than a public health movement in the ordinary sense because public health developed on this continent largely as a demand from industry to prevent the epidemics -- of man protecting himself against himself as he came together with his fellows and found he was a carrier of disease. But you see man depends -- I don't want to preach a sermon here -- but man depends upon his development, upon his warm relationship with other people, being able to live effectively and cooperatively with his fellows, that is in the matter of automation, and industry gives him that chance, but I don't think industry can afford in its own interests, apart from the wastages of the culture itself, not to give an all-out consideration of the role that social service could play, and should be playing, both within the industry organization as automation comes on, but also in the culture itself. In the presence of Dr. Grauer I apologize for saying such things as this, they are so obvious, but it is wise to express emotions sometimes -- the main recommendation of the weight of the Commission getting behind the human beings in Canada through the educational force.

I would again just like to say that our point of view there is that it is not simply a matter of fitting our young people, square pegs or round pegs as they may be, into the particular shape of things that industry has to offer, it is not with us in our minds a matter of shaping the human beings to fit that industrial complexity, and it is completely a matter of trying to understand a little more fully through the

work situation, through the community situation, what being human means, and on the basis of that knowledge actually caring about it. And if you can have scientific knowledge on the meaning of humanity, which I think we are in a position to develop more than ever before, if you can have scientific knowledge there will be developed a care about it, and if you have those two things I don't think there will be any difficulty in action.

May we leave it there, sir?

THE CHAIRMAN: Thank you.

MR. GUSHUE: I am rather interested, among other things, in your references to the first three years of a child's life; do I take it that, in some ways, is the most vulnerable period?

DR. GRIFFIN: I think we now can say that without any hesitation, can't we, Dr. Line?

PROFESSOR LINE: I think so, yes.

DR. GRIFFIN: The first three years are the most vulnerable in this sense, that we have established in the child at that time certain very powerful, very important emotional needs, which in the normally healthy family group are satisfied by the relationship to that infant of the mother and in turn the mother is helped to satisfy those needs by the presence of a loving and considerate husband and father of the child. This is one of the most strikingly convincing arguments from a mental health point of view in favour of solidarity of family life, which in this case coincides with great religious movements which are working in the same direction.

The evidence that indicates what happens

to children when they are deprived of this kind of intimate loving care -- we sometimes refer to this as the emotional vitamins that are just as important as the other kinds of nutritional vitamins -- what happens when they are deprived of these is illustrated by some striking studies made all over the world; for example, one by Dr. Spock in his study of certain orphanages where excellent physical care, fine nutritional care, has been given to illegitimate babies and other babies and small infants who have not had families of their own, but they have not been able to give them this emotional satisfaction, and the evidence concerning their growth and future distortion of their personality, maladjustment, in a variety of ways, is a tragic but very convincing story.

MR. GUSHUE: What would you be suggesting, there is some difficulty where the child did have the benefit of parents but that they were maladjusted or mentally ill?

DR. GRIFFIN: Well, that is one of the corollaries of this affair. The evidence is that in certain homes the family may be intact but the parents are unable to satisfy the emotional needs of the children.

MR. GUSHUE: Yes.

DR. GRIFFIN: And they suffer in almost precisely the same way, that is perfectly true. You cannot legislate a parent into loving children.

MR. GUSHUE: That would be very difficult to deal with, wouldn't it?

DR. GRIFFIN: It certainly would. But we have a feeling -- this takes us a little apart from our brief -- but we have the feeling, and there is some

onus to show where young people -- and this could start in adolescence or before -- are helped to appreciate the importance of family living in its psychological and social activities, that gradually they are being helped, afterwards when they grow up to marriage and be parents they are likely to be better parents, more likely to satisfy these needs in their own children. It is a long process.

MR. GUSHUE: With aid or without aid, are you speaking?

DR. GRIFFIN: Without that aid. I am thinking of the contribution of church and school and so forth.

MR. GUSHUE: I was interested in your figures of what seems to be, although you say the figures are not final, really comparative as to the large proportion of people who are suffering from mental illness, either mild or serious, and your reference to the effect of industry and industrial concentration and automation, and so on. Is that shown in a greater proportion in industrial centres and where people are dealing with machines, and so on, rather than when they are using their hands as it used to be? Are there any figures that could be quoted there, or any percentages?

PROFESSOR LINE: I am afraid I would have to say that to my personal knowledge we need research on precisely that. There are such studies as Russell Fraser's in Britain on some of those things which apparently develop in this climate which we find very definitely points towards the suggestion that in as far

as there is paucity of communication, paucity of human relationships in the work situation or living situation or both, that there you get an incidence of sickness. That is very well documented, I think, with facts. But there are situations in the industrial community that would seem to be conducive to illness rather than good health. But whether industry comes within, say, a rural setting is a subject right now of pretty careful ecological and epidemiological research. I would say the answer to that should be forthcoming in the next year or so.

MR. GUSHUE: I think the general impression would be you find it intensified in the urban centres?

PROFESSOR LINE: Such things are under study and research as the migration is going on from rural to urban, and there is some indication that the unstable, poorly stabilized people gradually drift into the large urban centres.

MR. GUSHUE: Is there anything that industry can do or ought to do with respect to all this, with respect to their employees, individual employees, and so on?

PROFESSOR LINE: I think, sir, that industry is quite conscious of its own problems here.

MR. GUSHUE: In the way of diagnosing it, though?

PROFESSOR LINE: And offer a great deal of leadership with respect to it. I am not sure that industry has the competitive power or whether it has a problem of how to use these people on its hands; I don't know.

DR. GRIFFIN: But you would say that there at least we have some leads, some important leads, as to what industry can do to keep these difficulties which we have referred to in the brief at a minimum.

MR. GUSHUE: You won't need to diagnose everybody in the industry, say, that is working in the plant, and so on; would that be necessary?

PROFESSOR LINE: Well, it is, I think, definitely documented, sir, that in so far as you have a full participation in a group that you will have a more healthful people and you will have a more productive people if they are more healthful, if communications are bad, if they are bad in the sense of hard to make, if they are bad in the sense of poor relationship, that our research into numerous things of that sort are being pinpointed and examined and leads to offsetting.

MR. GUSHUE: I suppose this is largely because people keep so much pent up within them it is difficult to find very often, isn't it? You have to get some way of bringing it out. Is that a stupid remark? I notice you didn't attempt to answer, but I am just wondering whether that would be hard to diagnose.

PROFESSOR LINE: I would not suggest we do an individualistic diagnosis on every individual in industry.

THE CHAIRMAN: I was just going to ask if you found leisure in your profession somewhat troublesome. Following Dr. Gushue's point, I was reading something in the current issue of Newsweek, I think it was, about tension among the American business leaders, tycoons,

and they asked a number of these fellows what their solution was. They seemed to have various solutions. Mr. Wilson, the Secretary of Defence, said that he had a problem once and he found he had an ulcer, and he had it cut out, and that seemed to be the root of the trouble. Mr. Dulles said he had a hot bath every now and again, that he found helpful, and other people read detective stories, and so on. It didn't look to me quite the way you would tackle the problem. Maybe it is.

MR. LUSSIER: Dr. Griffin, in paragraph 3 you say that there is a certain percentage of the population which is more or less mentally ill. Isn't that a mistake? It should be probably 3.7, shouldn't it?

DR. GRIFFIN: Three hundred and seventy per thousand.

MR. LUSSIER: You mean 37 per cent?

DR. GRIFFIN: That is 37 per cent.

MR. LUSSIER: So much.

DR. GRIFFIN: Yes, sir.

MR. LUSSIER: It was in one town?

DR. GRIFFIN: In one town. Now, that is the result of a scientific survey done by competent people of the highest calibre.

MR. GUSHUE: That is staggering.

DR. GRIFFIN: I explained when I was reading it that this is a lifetime prevalence, disability, that 37 per cent of the people in this particular town had a mental or emotional breakdown at some time in their life that impaired their efficiency to the extent of ten per cent of their efficiency or more. Even so, that is

staggering.

MR. GUSHUE: Does that mean that every person in that town was interviewed, or what?

DR. GRIFFIN: A very high proportion. The sample was on a very high level. I think it was about a 47 per cent sample.

MR. GUSHUE: I am afraid to ask what town it is because I come from eastern Canada. It is a Canadian town, is it?

DR. GRIFFIN: It is a Canadian town.

MR. GUSHUE: Is there any difference between the sexes, female --

DR. GRIFFIN: Male and female?

MR. GUSHUE: Yes.

DR. GRIFFIN: Very little difference, but --

MR. LUSSIER: About the same proportion -- I mean the same proportion of mental illness with the female and male?

MR. GUSHUE: The same proportion, 37 per cent?

DR. GRIFFIN: There is very little difference between the two.

MR. GUSHUE: The same proportion?

DR. GRIFFIN: The same proportion, yes.

MR. GRAUER: You were telling us about the problems relating to industry. We are getting more leisure time as we go along. Do you find problems of breakdown related to the use of leisure? How do you analyse that important segment of the day?

PROFESSOR LINE: I am not sure who is getting the leisure time. I know it is not teachers in the

universities, anyway. But I think there is no answer that I know of, sir. There is a good deal of the sort of social diagnosis concern right now in the sense, say, of Eric Fromm's "Sane Society", that people are becoming under the present system in the West consumers more than producers, and they become conformists, so they feel they are different from their fellows and there is a certain sense of alienation from each other, and I think that would head into the question this way, that the opposite of that must be to recruit or enhance the degree to which people can be creative producers. I have no solution there, but I think the meaning of leisure may have to be very carefully scrutinized in terms of what is happening under proper circumstances to the portion of time which a man will have for the paper and for television and so on, or going to the movies, and where you would begin to think of such things, if you have shorter hours of work and automation, you then spend half of the rest of your time being a carpenter and making some work of art like a Chippendale chair and that type of thing. I don't know what the direction would be, but I think we have to consider leisure as an opportunity to create, whereas at the present time leisure tends to be used again as a consumer. I don't know where your concepts will head in there or whether you will get the variation in action.

MR. GRAUER: Can you trace mental problems back to leisure time?

PROFESSOR LINE: Beg your pardon?

MR. GRAUER: I say can you trace much in the way of mental problems to this area of leisure time?

One can imagine, for instance, the stresses and strains which must be put on a lot of people by that luxury, the T.V., and movies where sex problems and various things are underlined. We were sort of concentrating on the factory. Now, I am trying to find out what is happening in the other area.

DR. GRIFFIN: We see this sort of thing in clinics, where people having a basic job have been reduced in terms of time, energy, and they promptly use their leisure time to get another job which they work at part time, and, in fact, very quickly put in more working hours than they ever did before, and get really quite fatigued. This falls under the compulsion to make more money to buy more goods, to buy more luxury items, and keep up with the Joneses and this sort of thing.

Now, this may be a deceiving thing, as I have suggested. We are not quite sure whether it is sheer fatigue, they keep using leisure time for more work, or whether there is a compulsive emotional element in that, but probably both.

MR. GRAUER: Of course the use of leisure time is constituting a considerable problem, but we try to get some idea of the cost as we go along through the kind of clinical programme you are suggesting or intimating. What is the order of cost of a comprehensive programme for mental health, if that is a fair question?

DR. GRIFFIN: Well, it is one we have been very deeply concerned with recently. The present cost of mental health and mental illness, thinking in terms

of the cost of mental hospitals, psychiatric clinics and various kinds of psychiatric units in general hospitals, is around \$75 million a year. Now, this is providing what we would call minimum care for a large number of these patients. The patients who are treated in the general hospitals, the ones devoted to psychiatric care, are getting perhaps the best care in the country and their costs, of course, are terribly high. But for the mass of people, the 68,000 that we refer to here, who are being treated in mental hospitals, the large institutions that you know of as asylums and so on, the average per diem cost per patient is only \$2.92, that compared with something like \$15 to \$20 per day for a patient in a general hospital.

Now, it is our contention that we can never, we will never be able to provide adequate treatment or preventive services as long as the money available for treatment and preventive services and research is set at this present minimum standard. Even the cost of care of prisoners in our federal penitentiaries is \$4.50 per day per prisoner, which you see is nearly twice that of the mentally ill patient in the mental hospitals.

So our first task here, it seems to me, is to recognize this, even the framework of the economic potential and possibilities of providing what can be done without destroying the economy for improved treatment, and particularly early treatment, so that these early unit clinics and psychiatric units in general hospitals, and to an increasing extent the work in the mental hospitals, be brought nearer and nearer to the standard of our great general hospitals.

Now, this has come only in the past few years with the advent of a whole lot of new, very effective treatments, the electro-shock therapy, insulin shock therapy, brain surgery and particularly the chemo therapy in the field which has provided psychiatry really with a new tool. It is really now possible to attack some of these problems as vigorously as we would heart disease, cancer and tuberculosis, with the same kind of skill and medical knowledge and the same kind of expectation of results.

But we can never do this as long as we are limited to something like \$75 million, and that is probably accounting for nearly half of our hospital beds. Half of the hospital beds in the country, or very nearly so, are occupied by people who are mentally ill. We know that the whole health problem in the whole country costs us about five or six hundred million, and of that amount only \$75 million is in the mental health field. It is that kind of discrepancy we are a little anxious about.

MR. GRAUER: But you would not be prepared to estimate the cost of what is needed?

DR. GRIFFIN: What is needed, it seems to me, beginning from these figures, is what we should do is greatly increase the amount of money available for treatment in Canada, and I would say our first goal would be to provide treatment at the rate of about the same cost as the tuberculosis patients are now getting, which is about six or seven dollars a day rather than \$2.94. In other words, if I were put on the spot I would say let us double the \$75 million, to start with.

MR. GRAUER: That is more for the institutional side?

DR. GRIFFIN: Well, that \$75 million goes for the whole thing.

MR. GRAUER: Now, what about research?

DR. GRIFFIN: At present the governments, chiefly the federal government, is providing about half a million dollars a year for research -- four to five hundred thousand dollars a year. This has been an enormous stimulus up to this time, but in terms of the need it is but a drop in the bucket. We say we ought to have at least twice that, probably four times that, available for research -- not all at once, gentlemen, but building it up as the amount of money increases. Trained staff and facilities have to be developed, that is why we cannot use suddenly a million dollars in research in one year.

MR. GRAUER: Yes, thanks very much.

MR. LUSSIER: Did you say -- that is what I understood, maybe I am mistaken -- that half of the hospital beds are occupied by people who are to a certain extent mentally ill?

DR. GRIFFIN: Yes.

MR. LUSSIER: That is what you said?

DR. GRIFFIN: Yes. There are in Canada roughly speaking about 120, 130,000 hospital beds; that is, general hospitals, children's hospitals, T.B. hospitals, mental hospitals, convalescent hospitals. Well, say we are out about thirteen or fourteen per cent -- 68,000 beds are devoted to mental illness.

MR. GUSHUE: Is this more prevalent in some

areas of the country than others?

DR. GRIFFIN: Not noticeably. It would be very difficult and very dangerous to speculate on that, sir.

MR. LUSSIER: You say mental hospitals. They are there, not on account of that, but they are being taken care of by some other physician who does not treat mental illness, aren't they?

DR. GRIFFIN: No, sir, these are mental hospital beds.

MR. LUSSIER: I see.

THE CHAIRMAN: I would just like to ask one question of Dr. Line. On the industry side, are the trade unions interested in the subject to any serious, considerable extent?

PROFESSOR LINE: I would not like to be quoted on this at all; it is impressionistic. Some of the unions -- social scientists are working with the unions, yes, I am not sure that --

THE CHAIRMAN: That is about what you would expect, I suppose?

PROFESSOR LINE: Yes.

MR. GUSHUE: I would just like to amplify the last question I asked. What I have in mind, you have some remote areas, certainly in some parts of the country where you have a good deal of inbreeding and so on. Do you see any real effects from that? -- to make my question quite clear.

DR. GRIFFIN: Yes, on a specific question like that we can say without any hesitation that in certain isolated parts of the country where there has

been inbreeding, the number of people suffering from various kinds of mental disability, mainly, mental retardation, seems to go up without a doubt.

This sort of observation might be helpful, in certain isolated and remote industrialized developments, company towns, mining towns and that sort of thing, we are finding that the industrialization factors in such a situation seem to be creating their own kind of problems, and people breaking down emotionally apparently because of the very limited sphere of social interconnection that is permitted there; I mean after work the only thing to do is go to bed or something like that, even TV is not often there, and this seems to be an increasing problem as we develop these isolated industrialized areas.

MR. GUSHUE: I was going to ask you, that is where you would get the greatest incidence of alcoholism?

DR. GRIFFIN: That is another problem.

THE CHAIRMAN: Well, thank you very much, Dr. Griffin and Dr. Line; we are very grateful to you.

--- Recess.

--- After recess.

THE CHAIRMAN: Mr. Wood, we will mark your submission Exhibit 232, and if you are ready we will proceed.

MR. WOOD: Fine, sir.

Mr. Chairman and gentlemen, in our initial communication with this Commission some months ago, it was suggested by the Commission's secretary and director of research that a consolidated national brief on tourism from a body like the Canadian Tourist Association

would perhaps be preferable to having a multiplicity of separate representations from provincial and local organizations in this special field. At the Canadian Tourist Association's convention last September it was decided that such a national brief should be prepared. As a result most of the provincial government briefs to this Commission have omitted any detailed consideration of tourism, leaving it to the Canadian Tourist Association, which represents the ten provincial governments, the tourist authorities of the ten provincial governments, as well as the regional, local and private economic interests which have a stake in Canada's tourist trade.

The members and officers of our Association who are attending this session of the Royal Commission include representatives of the principal commercial services involved in the tourist business. I would like to introduce to the Commission, if I may, Mr. Chairman, Mrs. Florence Montgomery, who is managing director of the Canadian Restaurant Association; Mr. Dalton J. Caswell, who is executive chairman of the Hotel Association of Canada, and Mr. Vernon Lang, who is secretary-treasurer of the Canadian Tourist Association. I am very sorry to say that Mr. George Leveille, our president, was unable, through illness, to be with us today, and again Mr. John Fisher, who is executive director of the Association, was not able to get down to Ottawa today.

Now, the members of this group, gentlemen, will be most happy to do their best to answer any questions the Commissioners may have on the subject. Meanwhile I think it may be worth while to summarize briefly

the contents of our written brief which was supplied to the Commission very early in the past month.

Canada's travel and tourist business, currently valued at \$300 million annually from visitors and about an equal amount from Canadians themselves, will be worth between \$1 billion and \$1.5 billion annually twenty-five years hence.

Which of the two figures will be closest to correct depends on the extent to which public and official opinion recognizes the widespread importance that tourist and travel business have to every part of our economy. Tourism is big business, and for Canada represents our second largest industry when considered in terms of "invisible exports". Furthermore, it is a business of significance to every man, woman and child in Canada.

Now, relative to other nations, Canada has recently been losing ground in international competition for tourists. Our biggest and wealthiest market is the United States and it is a highly competitive market. Our share of U. S. residents spending on foreign travel has decreased from over 35 per cent in the 1930's and '40's to roughly 20 per cent today.

The brief is a factual analysis of conditions facing Canada's tourist industry today. It did not attempt to predict the future, but if we are prepared to make a few reasonable assumptions, it is possible to suggest some upper and lower limits for forecasts of Canada's tourist business.

Based on the assumption that in the great United States market, population will increase 20 per cent

per capita incomes will increase 25 per cent and that the proportion of personal disposable income spent on travel will be up 25 per cent, then the annual United States expenditure on travel (both internal and external) will be roughly \$20 billion. At the rate prevailing for many years, the portion of this spent outside the United States itself will be \$2,500,000,000.

Now, if we can continue to attract 20 per cent of this market -- that is about what we are getting today -- Canada's share will amount to \$500 million; if we regain lost ground and secure 30 per cent of the market, our share will be \$750 million. Add to this equal amounts for travel expenditures by visitors from overseas and by Canadians themselves within Canada and we can look forward, as stated earlier, to a total market for the Canadian tourist industry of from \$1 billion to \$1.5 billion annually.

MR. GRAUER: Are those figures in the top paragraph over the twenty-five year period?

MR. WOOD: That is right, sir. I think probably I neglected to say in this area in the last paragraph, but it refers to the initial paragraph which stated the same amount.

In our brief we have stressed, and we reiterate it here, the two main aspects of the importance, which is often unrecognized, of tourism to Canada. First is the fact that money spent by tourists is not confined to businesses like transportation and hotels who specialize in dealing with tourists. The tourist dollar itself is divided between all forms of

retail trade, and indirectly, the farmers, fishermen, other food producers and employees of industries whose markets are greatly expanded because their product is in demand for vacation travel. Secondly, tourism is most important as a possible avenue of economic development for parts of Canada that are not too promising for other industries -- for these problem areas. For some parts of Canada, tourism is or could become what wheat is to Saskatchewan or what tourism itself is to countries like Switzerland.

Our brief outlined the many problems facing the tourist industry in Canada today with particular reference to the effect of the competition for tourists. This, we submit, is grave enough and its economic effect on Canada is big enough to call for very serious examination of ways by which businessmen and governments can collaborate effectively to develop travel to and within Canada.

There are basically two problems involved: First, the advertising, promotion and publicity that can bring visitors to our tourist attractions; secondly, the "plant" involved in terms of accommodation, services, personnel, recreation, and so forth. These two are completely interdependent: and it's no use advertising if you can't handle the customers, and it's no use building up your plant if you are not prepared to take steps to get customers. Certain definite needs, such as more uniform health legislation, better credit facilities and better educational facilities have been pointed out in reference to developing Canada's tourist plant. In reference to sales promotion and advertising much more

needs to be done, but the national leadership involved needs to be integrated in a forward-looking programme of research, development and promotion.

As examples of effective cooperation between business and government in this matter, you have only to look at the Northern Great Lakes Area Council in which three United States state governments and one Canadian provincial government each nominate a number of leading businessmen to direct a programme that benefits their entire area's tourist business. Or look at the British Travel Association which last year spent more than \$2,500,000 on travel development and promotion, 85 per cent of this amount coming from the British Government.

The British Travel Association, gentlemen, has been eminently successful. Perhaps some similar approach to a marriage between business and government might be successful in this country. The industries directly concerned are only a fraction of those who benefit from tourism which actually contributes to the general prosperity of every Canadian. Hence the national government, representing the people at large, should continue and increase its contribution to tourism through the best form of organization that can be devised.

In closing, I think it is also important to remember that more than economic interests are involved. The fact that Canada is, in most respects, a relatively small nation adjacent to a much more powerful one means that more effort is required than would be needed elsewhere to build up our national consciousness. Apart from all economic and other considerations, this is a

most compelling reason for encouraging more travel within Canada by Canadians. Such travel might well be the most important single influence there could be toward greater national unity.

Mr. Chairman and gentlemen, that is really an introduction to our brief. If you so desire we would be glad to answer any questions which you may wish to direct towards us, and perhaps we can elaborate on some of the points we have raised.

THE CHAIRMAN: As a start, here, you mention that Canada's travel and tourist business is currently valued at \$300 million. How much of that represents spending by visitors from the United States?

MR. WOOD: I believe the \$300 million that I referred to here is the amount spent by visitors from the United States.

MR. LANG: That is correct. We stated here plus an approximately equal amount spent by Canadians.

THE CHAIRMAN: Yes, and what do Canadians spend on travelling in the United States?

MR. LANG: Approximately \$311 million last year.

THE CHAIRMAN: Three hundred and eleven million dollars?

MR. WOOD: Yes, they spent more. There are \$311 million, and there are variations in the estimates. You will find that opposite page 3.

THE CHAIRMAN: Yes, I remember. Now, you point out that our share of American residents' spending on foreign travel has decreased from 35 per cent in the 30's

and 40's to 20 per cent today. I presume that is not entirely or even primarily due to us. Certainly in the 40's the Americans probably were not able to go elsewhere in the first half of the 40's and in the 30's they may not have been able to afford to go abroad. Would that have influenced the fact that 35 per cent of the total was spent in Canada?

MR. WOOD: Yes, I think that would have quite an influence on it, sir. We feel, though, that in the 30's is probably more representative, and in the early 40's, at that time we did enjoy a very large share of it, but the big thing that has come up during these last few years and the real competition has come from countries such as Mexico, the Caribbean, Bermuda, South America and Europe, and Europe particularly I suppose because of the Marshall plan which encouraged Americans to go to Europe and spend their dollars over there. But because of this competition, that is the worrying thing to us, that we as a country are losing ground in bringing this money into Canada, and part of the responsibility lies with us individually and collectively in our organizations and so on but we feel if we are to develop the market that is available then we must take a new and better approach to it.

THE CHAIRMAN: Do you think it is a good thing for our airlines to encourage people to go to the Bahamas and that sort of thing instead of spending money at home?

MR. WOOD: You have me on a spot, now.

MR. LANG: I would just like to point out

in connection with your question, I don't have the figure here for 1929, and it does not seem to be in the appendix, but I do believe the proportion going to Canada was larger, even in that year of prosperity than it is at the present time.

THE CHAIRMAN: I was interested in your suggestion of what might be accomplished if representatives of the business community, presumably people who are interested in the tourist industry, got together with the government in some way, perhaps along the lines they have done in other countries. Would the government department concerned be interested in that suggestion?

MR. WOOD: Well, Mr. Chairman, the government department, I think, that we refer to would be the Canadian Government Travel Bureau, which in my opinion has done an outstanding job, a really remarkably good job under democratic leadership and good people in it, and in the field it is in, that of promotion of tourists, the sales promotion and advertising.

Now, we feel, and I think I can speak for the Association and the industry as a whole, that we need something much more than that. First of all we need research and development which will be primarily the planning to develop tourism for the country. Secondly, that a lot of attention must be given to the plant, and that means a review perhaps of the credit arrangements in order to enable us to provide accommodation and all the other things that go with inducing tourists to come to the country and inducing Canadians to travel between the different provinces, and education and training, that

is referred to in the brief, that is an extremely important part of it. It seems to me there are perhaps three or four features.

THE CHAIRMAN: And they are not the particular responsibility of any particular department?

MR. WOOD: Of nobody today, and that is why I think if business and government could get together, and since it is a business which affects every Canadian, then I think the onus is upon the federal government to provide the funds that would be necessary to support an organization of this kind, but that contribution as well would come up through the association of firms throughout Canada, so that there would be some balance in there. But generally, let us say, the funds would be provided by the government and business in order to set up these divisions on a national system.

THE CHAIRMAN: Should this be the federal government or should it be a combination of provincial government people and business? I mean can you do this sort of thing on a national scale or can you do it better on a provincial basis?

MR. WOOD: I believe, sir, that we should do this on a national scale because every Canadian benefits and it is hard to pinpoint exactly where the benefit is going to end up, as it were, because the goods that are manufactured in British Columbia are sold to the tourist in Nova Scotia, and so on. But I don't think we should interfere with what is being done by the provincial organizations now; they are doing a splendid job in each of the provinces in promoting tourism to the extent it is possible. It seems to me

that much more has to be done and it can only be done with federal contribution.

THE CHAIRMAN: I certainly thought that your idea of getting Canadians to do more travelling within Canada is an excellent one. The problem is the costs. Once the trans-Canada highway is completed I suppose there will be a great deal more travelling of Canadians from one part to the other?

MR. WOOD: I think so.

THE CHAIRMAN: Or is that right? Will that really make much difference as far as going out west is concerned? They can travel across on American roads, anyway, I suppose?

MR. WOOD: I think it will make a tremendous difference when it is completed. Of course, that would be part of your long-range planning. I suppose a group such as I am suggesting could be sort of an advisory council, if you like. I don't know how it would be set up or I would not like to recommend how it would be set up, but it would be very useful, I think, in supplying information to the federal department concerned and the provincial department on what might be done to develop business. Perhaps Mr. Caswell would have some ideas on that.

MR. CASWELL: One thought I had was to make this advisory council effective they should be officially appointed. In other words, it is not enough for an organization like the Canadian Tourist Association to offer their services in an advisory capacity to be called on. As, if and when this advisory committee, if set up, should be set up, officially by the federal

government, officially appointed from the organizations which are interested in the different phases of the tourist business, and as appointees should be available for regular meetings and responsible to direct or assist in directing part of this programme. Otherwise, they would be valueless.

THE CHAIRMAN: I still come back to the point I was trying to make a minute ago, on such a national scale then any such committee would have to give appropriate weight, I suppose, to the inducements which they hold out to people to visit each province?

MR. CASWELL: That is correct.

THE CHAIRMAN: And such a committee would not be able to favour any one area as against another, whereas you would think that some areas in Canada were more attractive from the tourist point of view than others might be?

MR. CASWELL: Mr. Chairman, we are not thinking particularly in the sphere of promotion. We believe that is in very capable hands as it is now, the publicity promotion. What we are thinking of is, for example, in our own business, the convention field, we receive a considerable amount of criticism today due to the fact that we have not kept pace with the growing demand in the growing tourist business. The reason we have not kept pace is of over 3500 hotels and tourists resorts in Canada, eighty per cent of them are one hundred rooms or less, they are small operations. These people are very anxious to have provided the same type of accommodation that our friends get when they go to the better centres in the United States with a larger population. But unfortunately, partly because of our seasonal activity, when we have

perhaps ten to twelve weeks in most cases, they need funds to do the kind of up-grading, renovating, adding additional accommodation. Now, the small operator finds it almost impossible to get financial assistance on long enough term credit to do that type of thing. If he can borrow the money he needs over a period of say ten years or fifteen years there would be no problem at all, and our accommodation facilities in a period of five years would expand so tremendously that people would feel the Canadian accommodation was comparable to any in the world. The large hotel has no problem at all.

THE CHAIRMAN: Does it make money?

MR. CASWELL: Does which?

THE CHAIRMAN: The large hotel?

MR. CASWELL: Oh, yes, today the large hotel is making money.

THE CHAIRMAN: Despite the fact it is running a short season?

MR. CASWELL: Yes, you see, the larger hotels we have are doing well, with a few exceptions, even hotels such as Banff Springs make money. We do have a few located in some remote areas that are not making money. They were built by some of our large chains for other purposes. In other words they were built because they wanted to develop their transportation at that time. They find it very difficult to make money. But the majority of our large hotels in the Dominion of Canada are doing very well, and they have no problem of financing for up-grading or renovating because they are large organizations, because they are, shall I say, operated by a pretty sound company.

They can float a bond issue of a couple of million dollars and the public doesn't question it on the market. But the small operator who requires twenty or twenty-five thousand dollars, he has a great deal of difficulty today. He can get the money if he actually pays it in three to five years, if he pays seven and eight per cent and if he pays a bonus of anywhere from 10 to 32 per cent on his money. I mean right away he is hamstrung and the situation is he cannot operate, but if through a development such as the government Industrial Development Bank he were able to borrow money in a legitimate manner, just the same as from any other bank on a ten-year period at 5 or 5½ per cent, he would be quite capable of improving his accommodation. That is one thing we feel is a vital point in your Commission passing on to the federal government and perhaps arranging.

Another thing we are vitally interested in is we feel if the tourist business in Canada is developed to the extent it needs to develop, we have got to have some trained personnel. Right now perhaps 75 per cent of the personnel we have are general or are temporary help in hotels and resorts, they have not been trained for it, largely because we have no training school of any real extent in Canada. Now, there is not a sufficient demand in any one province for a training school, but there is sufficient demand in the Dominion of Canada.

THE CHAIRMAN: Suppose you train these people so they are high-priced people to operate the various resorts or hotels, for what, a two and a half

months' period?

MR. CASWELL: Well, the resort might be two and a half months, but we have sufficient year-round demand in hotels where we can absorb trainees for the next number of years. In the United States you have two understanding universities giving university courses in hotel management. What we need is a combination university or college course which would give a short-term course or regular four-year course, supported by government, perhaps, or a school where students from all over Canada could attend and be taught, and over a period of time the standard of our hotel management could improve.

MR. GUSHUE: You get some summer help from university students?

MR. CASWELL: That is true.

MR. GUSHUE: How helpful are they?

MR. CASWELL: It is just what you might expect. They are there for a combined holiday and making a little money, extra money, for coming back to the universities.

MR. GRAUER: In connection with this question that the Americans feel we don't have the services to which they are accustomed, what about roads? One hears references to that.

MR. CASWELL: We are the first to admit, of course, that what we need is more and better highways.

MR. GRAUER: They are a great factor in any nation.

MR. CASWELL: Our own people are the same, as you appreciate everyone travels by car to a great

extent for the short distances, three or four hundred miles.

MR. GRAUER: On these figures you have on the first page, there are certain reasons why you would expect a decrease, but again that you would expect with the tremendously increasing ownership of automobiles that that would work the other way, but one hears it said so often that one of the reasons is Americans prefer to travel by automobile over their own country's roads after trying Canadian ones. What is your experience in that regard.

MR. WOOD: Well, I think we must be honest and admit that great strides in the last five years have been made on highways in Canada, Mr. Grauer, but the motor traffic seems to be increasing at such a tremendous pace we are not just keeping up with the increase on our highways. Where we do build good highways we find out in a couple of years they are not large enough to take care of the traffic that is on them.

MR. GRAUER: With the services and roads you would expect a tremendous increase in tourist travel?

Mr. WOOD: I would say certainly if we were to build a little better accommodation in both hotels and restaurants and resorts, at least, and we had better roads, that would be fifty per cent of the answer right there.

MR. GRAUER: On page 3 you introduce the question of education, which we have heard a lot of, but with respect to tourists it rather startled me. What sort of educational facilities were you thinking of?

You say:

Certain definite needs such as better educational facilities have been pointed out in reference to developing Canada's tourist plant."

MR. CASWELL: We are not talking about the tourists or guests, sir, we are again talking about the employee in the tourist plant, in the hotel and restaurant, and the owners of the operation.

MR. GRAUER: I thought maybe you had nursery schools in mind, or something of that nature.

MR. WOOD: I think you are probably familiar with the educational facilities for operators and employees of hotels that are employed in Stanford and in Cornell, and that sort of thing, in the United States. That is the sort of thing that I think Mr. Caswell was referring to.

MR. GUSHUE: Is there anything in the criticism I have heard from the Americans that there is nothing distinctive in Canada as far as cuisine that the tourist gets, and after all he is impressed by the cuisine.

MRS. MONTGOMERY: I think we would go along with that to a point. It is one of the objectives of our Association, an increased interest in regional dishes.

MR. GUSHUE: It is the sort of thing a tourist likes.

MRS. MONTGOMERY: We find where operators have interested themselves in promoting dishes like that on the menu -- they don't interest, or of course the local people are not interested, and local people in a good many cases make up a good proportion of the trade -- but the tourist is interested in regional food, they want to know what it is like. They are very interested.

MR. CASWELL: Unfortunately, one thing that has a little bearing on that is the fact that wherever the large demand and the market is for a product that is

where the high price is. The result is that a lot of our better Canadian foods are shipped directly over to the United States where they can buy them, they can pay more money for them. The very odd thing about that is we ship Nova Scotia lobsters to Boston and sell them from Boston to Toronto cheaper than we can sell them direct to Toronto.

MR. GUSHUE : That is because they think the people in Ontario don't appreciate their lobsters.

MR. CASWELL : It may be, but it is an odd situation that our government allows the sale of a product such as lobster out of the country and they can be sold right back to Ontario at the --

MR. GUSHUE : I think those are because of the old association, the lobster holding pools and things in New England, but there is no reason why it should be.

MR. CASWELL : But it is a fact, though.

MR. GUSHUE : You should be able to get it directly.

Most of the tourist resorts of any size would be fully equipped with proper refrigeration and that kind of thing, would they, to keep delicate produce, fresh fruits, in season?

MR. CASWELL : Very frankly, sir, I would say that the majority of the resorts in Canada dollar for dollar provide better food, recreation and accommodation than in the United States -- than in any part of the United States -- that is dollar for dollar. The sad

part of it is that unfortunately, because of the fact that our resorts, as I said, 87 per cent. of them are in the small class they are catering at about 75 per cent. of the value of the United States for somewhat similar accommodation, and the season being short and the difficulty of getting finances to up-grade their place, they are held down. In other words, accommodation in Canada at \$50 a week with meals is comparable to accommodation anywhere in the United States at \$75 a week with meals, and good meals, no question about that, and comfortable beds. But unfortunately for the resort operator, the public want more than that. They want good food, they want good accommodation, but they want services that are comparable to the best of any place they stay in. The public travels these days, they know what to expect, and unless you can keep your accommodation and dining room service and food service right up to snuff you just don't keep that business.

THE CHAIRMAN : Well, thank you very much, Mr. Wood.

MR. WOOD : Thank you, Mr. Chairman.

-- Recess.

-- After recess.

THE CHAIRMAN : Mr. Legget, we will mark your submission Exhibit 233. Stand up or sit down as you prefer, and as soon as you can start we are ready for you.

MR. LEGGET : Thank you very much.

May I have the privilege of introducing my two colleagues, Mr. Ferguson and Mr. Frost, the ones actually in charge

of the work of our Associate Committee on the National Building Code.

Mr. Chairman and gentlemen, it may seem rather odd for us to ask ^{you} to consider such a small thing as a building code, in view of the very large national issues that you have been considering on the basis of other briefs, but my associates and I, in looking ahead to our part of Canada's economic future, are very conscious of the importance of safety and economy in buildings. Knowing that they form the physical basis for what lies ahead of us, it is very essential, we say, that there should be sound regulations with regard to the buildings of Canada. We believe that the National Building Code can contribute greatly to this end and so we have asked, after consultation with your secretariat, that we be allowed to submit to you a very brief statement about this rather unusual document.

With your permission, I would like not to read the brief, but to comment upon it and to provide something of the background, since the statement itself was kept brief deliberately, and all reference to historical and general material was eliminated from it. Would that be in order?

THE CHAIRMAN : Yes.

MR. LEGGET : It may seem very odd, Mr. Chairman, that the National Research Council is concerned with a document which deals with matters which are normally a municipal responsibility and we would like to make its status quite clear. The National Building Code is an advisory document only, it is effective only when adopted legally by a municipality or province, but its provision

through the National Research Council is a part of the service which the Council is rendering toward the improvement of the physical aspects of Canadian life.

The National Building Code, although printed and published by the National Research Council, is not the work of the Council staff. It has been prepared under the direction and authority of the Associate Committee on the National Building Code. As you may know, the members of an Associate Committee of the Council are drawn from all parts of the country and represent all important relevant interests in a particular subject. The National Building Code represents therefore the combined efforts of men concerned with various aspects of building from British Columbia to Newfoundland, and is truly a national document.

With these explanations, might I next turn for a moment or two, sir, to the whole question of building codes, because we know of few things in connection with the construction industry in which you, Mr. Chairman, and your colleagues are so concerned, that are so open to misconception.

You will perhaps have heard that building codes are ingenious devices designed to interfere with the progress of good building, that they are without purpose at all, that they are used by officers to make life difficult for builders, that they are inflexible, and thus delay the application of new materials, and new methods. We wish to submit with the strongest possible emphasis that they are none of these things at all. They are necessary public ordinances designed to ensure the

safety of the public. Their prime objectives are: first, that the buildings erected for use of Canadians shall be safe with regard to their structure; second, that they shall be safe with regard to fire protection and prevention; and third, that they shall be safe with regard to measures affecting public health. Those are the three bases on which all building codes rest. Building codes inevitably contain rules through which restrictions are imposed in the public interest, on what can be allowed in the design, construction and operation of a building. The rules must, however, be proper and sound.

The significant thing about building codes is that many people regard them as a new development, as an added complexity of modern building. Many historical references might be cited to prove that building regulations are not new. The Pilgrim Fathers, who landed on these shores insisted on simple regulations with regard to the construction of chimneys, provisions very necessary to have taken against fires. Colonel By found it necessary to set out building regulations more than 120 years ago for the settlement growing up around his construction headquarters for the Rideau Canal on the area which is now in the heart of the City of Ottawa.

There was a building regulation in the City of Quebec with regard to chimneys as early as 1650, and in Montreal in 1720. In Toronto, even though it is so relatively new as a city, they had a building regulation as early as 1830.

THE CHAIRMAN : Have they changed it?

MR. LEGGET : They have, sir. I am very

pleased, Mr. Chairman, to address my remarks to one from Toronto, seeing that the Toronto building code is well recognized as one of the very best codes in Canada. We say it can perhaps be even better but it is a very good code. I want to read a brief extract, not from a government publication and not from a building code, but from a book on the Saint John River -- I hate to mention one part of Canada as distinct from another, but this is I think an illustration of what could be said in many parts. This deals with the fact that "... in February 1875, regulations were made and ordained for the speedy building and orderly settlement of a town at St. Anne's Point on the River Saint John to be called Frederick's Town after His Royal Highness the Bishop of Osnaburg." I am reading this not to show they had the first building regulation in 1875 but to point out, with your permission, "... that the officers and men of the regiment who formed the initial settlers of Fredericton, addressed in the year 1885 a petition to the Governor protesting against the setting of August 1st next as the date for commencing a building and asked that they may not be restricted to the mode prescribed, which evidently referred to the regulation that all outhouses were to be fixed in the rear of dwelling houses, no thatched roofs were to be allowed and no cross lanes or alleys. They did not object to the regulation which required that houses were to be at least 16 feet by 20, nor to the manner of placing the houses upon the lots."

I give this quotation, with your permission, to show that complaints about building codes are not new

things. There have been complaints just as long as there have been building codes. There have been misconceptions just as long as there have been building codes.

You may wonder why the National Research Council became involved with building codes. For the reason we must go back to the 30's when the Federal Government first took steps to encourage house construction in this country by the passing of the first National Housing Act. When that Act was passed the administrator had to concern himself with the regulations under which houses would be built. As he travelled throughout the country he found that most cities and towns had very old building regulations if they had any at all. In the 30's there was little possibility of any individual municipality preparing a new code. After much study it was decided that this was something that should be done at the Federal level and a committee was set up jointly by the National Research Council and the Department of Finance. This committee, under the leadership initially of General McNaughton, considered how they might best assist the municipalities of this country with their building regulations. They finally produced a joint work in a book of about 400 pages which is a model building by-law. This, the first National Building Code, was made available at cost for any municipality to use as their own by legal adoption. It is a pleasure to report that over 10,000 copies have been distributed and it was and still is in use by over 200 municipalities as their building code, in one form or another.

But this was produced in 1941 and the war

years prevented its revision. It is necessary that a building code be a living document and not just a document put forward as a measure and left there until it is so out of date that it has to be completely rewritten. And so it was that the National Research Council had this in mind as one of the reasons for setting up the Division of Building Research after the War. With the assistance of this Division the Associate Committee on the National Building Code advanced directly in the work. After a great deal of study this document was completely revised and finally issued in the form which you now see before you. The National Building Code, 1953, is arranged in sections and is available either in sections or as a single bound volume. When the sections are used, in a ring binder, any one section can be removed and replaced by a revised section without interference, either physically or as to content, with other sections. Our friends the experts said this could not be done. It has been done and here it is. We can leave it with you as an exhibit, if it is your wish. It covers the design of all buildings and the use of various materials as related to structure, fire and health.

We prepared two of the sections in a smaller, more convenient size. One of these is the plumbing section, which is now used by most of the provinces, a very important section. The other is on measures for safety during construction. The National Building Code has also been prepared in an abridged form in the same convenient smaller size for use in connection with houses and smaller buildings. The main Code itself has been translated into French, but with difficulty, as Mr. Lussier

will appreciate, because the same technical terms do not exist in both languages.

THE CHAIRMAN : Have you invented new terms?

MR. LEGGET : We had to. There is a complete service for the small municipality in the shorter form of the Code. For the large municipalities we have the sectional form of the Code so arranged that it can be kept under study and can be revised and amended by sections as may be necessary, and therefore kept up-to-date in every way.

There have been some interesting by-products of the preparation of the Code. One of these is represented by the Climatological Atlas of Canada which has been prepared from material developed in our studies of climate for the Code. You may ask how it was possible to have a national building code for a country with extremes of climate such as we have in the different provinces, that on the prairies, that in the north and that in the east. The building code contains a special section on climate, and it is the only building code that does. In it, users of the Code can find the climate data pertinent to any particular area for use with the regulations which have to be adjusted in accord with climate. We have also as a by-product of the Code work the first Climatological Atlas of Canada.

I leave this document with you, I commend it to your attention as a document which is quite valuable in all its forms for use throughout Canada. And finally-- and I trust I am not taking too much of your time -- the reason we think it is significant is the implications

of its use. It is now in use by a large number of municipalities across the country, even though so recently developed, taking the place of the earlier one. We hope and expect that gradually within the course of the next three or four years most of the large municipalities of the country will take it either directly or in slightly amended form as their own building code. If they do they immediately save the cost in time and money of preparing a building code of their own. In our brief we have given you some indication of the cost of preparing such a document. When that is multiplied by the number of municipalities of this country, assuming that each municipality developed its own Code independently, a figure is obtained which is commensurate with some of the other figures which have been placed before you. A national building code, through the uniformity it promotes across the country, introduces further great economies not otherwise possible. The Code is also being used very largely by the Federal Government as its own building regulations and therefore can introduce uniformity in building and in materials used in government building.

These, then, are the reasons why we feel confident that the wider use of the National Building Code throughout Canada in the years ahead, without any imposition from any Federal source, but because it is authoritative, adaptable and available, should in the next five or six years permit Canada to be further ahead than any other country in the uniformity of its building requirements and therefore in the economy and improvement of its building standards.

Thank you very much.

THE CHAIRMAN : Thank you very much, Mr. Legget, that is extremely interesting. There are one or two questions that I made a note of. I read your brief last night. First of all, are the provinces in favour of this uniform code or is it a question of the provincial governments as such that you deal with?

MR. LEGGET : We have the very happiest relations with all the provincial governments. We have a provincial advisory committee with representatives from all the provinces and in some cases the provincial legislation actually mentions the National Building Code by name.

THE CHAIRMAN : Then, you mentioned a large proportion of the principal municipalities have adopted this Code or are about to; could you be a little more specific in terms of percentages?

MR. LEGGET : Could I answer that question, not in terms of percentage, but in terms of actual numbers?

THE CHAIRMAN : That is all right.

MR. LEGGET : That is a total that we can file with you, if you wish, but generally 47 municipalities have already adopted the new Code. 48 have adopted it in part.

THE CHAIRMAN : That 48 is in addition to the 47?

MR. LEGGET : In addition to the 47. An additional 32 have a by-law in which they use the National Building Code by reference, and again in addition 77 use it as a basis of their own by-law. 162 use it as a general reference document, that is, supplementing

their own by-law. 96 are considering it at the present time for official adoption. 397 have copies of the code and we don't know exactly how they are going to use it yet. That is, they have officially asked for copies, giving us a total of 859 municipalities that have copies of the Code, about half of that number actually using it.

THE CHAIRMAN : And how many municipalities are there altogether of any size?

MR. LEGGET : About 1200. Could Mr. Ferguson add a word?

MR. FERGUSON : I would just like to say, sir, that this is based on information we have received from reports, they told us they were very keenly interested. But we feel certain there is a lot of interest and a lot of use that we have not heard about.

THE CHAIRMAN : They just use your publication and don't give you the benefit of the credit line. I suppose Central Mortgage and Housing has an influence? Can they require that buildings be constructed within these specifications?

MR. LEGGET : They can and they do, sir, and I should have mentioned the Corporation, because their own set of building standards which is a document complementing our small document is very closely inter-related with this document. They are not identical because the Corporation's requirements are slightly different since they are dealing with mortgage money, but insofar as technical aspects are concerned the documents are identical apart from a few minor details.

THE CHAIRMAN : It seems to be a great

achievement to get that extent of uniformity throughout this country from one end to the other. Perhaps the National Research Council should take on some other activities in public life.

MR. GRAUER : What would be some of the reasons for not adopting it on the part of a municipality?

MR. LEGGET : Well, in the first place, sir, municipalities being made up of human beings like their own regulations if they have actually been prepared in their own city in place of something prepared outside.

MR. GRAUER : Those are local elements?

MR. LEGGET : Those are local elements.

MR. GUSHUE : Probably that is the city solicitor.

MR. LEGGET : Yes.

MR. GRAUER : Talking about keeping a document like that up to date, how do you handle the new materials that we are always hearing about that keep coming on the scene? Do you immediately have to revise certain sections?

MR. LEGGET : No, sir, the object of writing this Code was to make it, insofar as possible, a performance Code which tells you what is required of the materials. It does not tell you what the materials are, and therefore if you introduce a new material which will do the same thing as the old material but do it more efficiently, there is nothing to stop it at all.

MR. GRAUER : But it would depend on their testing of these materials as they come from the manufacturers?

MR. LEGGET : This is the most difficult of all technical questions. At the present time the approval of all new materials and methods of construction are by law the responsibility of the municipality or of the province. The responsible officials must frequently turn to someone else for guidance. At the present time the Central Mortgage and Housing Corporation have what they call an acceptance service. They accept certain materials and methods of construction for use under the terms of the National Housing Act. They publish the lists of the materials, if they do accept them, by trade name, at a cost of, I think it is, \$5.00 a year. Building officials can subscribe to this service and if they are willing to take the judgment of Central Mortgage, can use it as a basis for assessment of new materials and new methods. Central Mortgage and Housing Corporation make their own decisions regarding acceptance, but these are normally made only after consultation with the Building Research Division of the National Research Council which serves as a research wing of the Corporation on all technical matters. That is the status at present. We hope eventually to be able to develop a similar service on an even broader scale but final legal adoption however must rest in the local area officially in accordance with our normal democratic procedure, but we want to provide the local officials with the best basis for assessment.

MR. GUSHUE : If you find an amendment is necessary for the reasons that you told us, Mr. Legget, by the various people who have this Code now, is there service to do that?

MR. LEGGET : Yes, sir, we are just in the process of organizing that service and the first amendment will be circulated to everyone who has a copy of the Code early this year.

THE CHAIRMAN : Well, thank you very much, Mr. Legget and gentlemen, that was most interesting.

MR. LEGGET : If you would care to have them, I could leave you copies of the Code.

MR. GUSHUE : Is this Climatological Atlas available?

MR. LEGGET : Yes.

MR. GUSHUE : In numbers?

MR. LEGGET : Yes.

MR. GUSHUE : I am thinking of it particularly.

MR. LEGGET : It is available for \$2.00 a copy which is the rock bottom price of the production.

MR. GUSHUE : No discount?

MR. LEGGET : No discount at all, because we are using public funds.

(At 4.30 P.M., the Commission adjourned
until 2.00 A.M., Friday, March 2, 1956)
